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WISCONSIN

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Wisconsin Highlights

Estimated poverty rate, 1985	11.6%
Estimated number of poor, 1985	554,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	72.6%**
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	91.5%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	84.8%
Percentage of unemployed receiving unemployment insurance, 1986	35.3%
Percentage of state tax revenue from individual and corporate income tax, 1986	48.2%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**AFDC benefits were cut from 1987 to 1988; in 1988, maximum AFDC benefits for a three-person family will equal 65.6 percent of the estimated poverty line, a substantial drop from the 1987 level of 72.6 percent.

WISCONSIN

An estimated 11.6 percent of the population of Wisconsin, or 554,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Wisconsin receive government assistance. But their eligibility and the level of assistance they may receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that does not lift them to the poverty line.

Sizable holes remain in the safety net in Wisconsin, even though it has a stronger system of government assistance to the poor than most other states. For example, to be eligible for Medicaid, a three-person family must have income (after medical expenses and some limited deductions) of less than 84.8 percent of the poverty line. Families who are at slightly higher income levels, but who are still below the poverty line, generally do not qualify. In addition, unlike half of the states, Wisconsin has not adopted the Medicaid option that can expand coverage to all poor pregnant women and young children.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

Moreover, Wisconsin has no state benefit standards for cash assistance to low-income single individuals and childless couples who are neither elderly nor disabled, making the level of such assistance entirely dependent on county decisions. Nonelderly, nondisabled single individuals and childless couples who are poor are also unlikely to receive health care coverage.

Finally, low-income households in Wisconsin are confronted with a serious low-rent housing shortage; in 1985, the number of very low-income renter households was nearly double the number of available very low-rent units.

These and other aspects of the Wisconsin safety net will be discussed in this report.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Wisconsin below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Wisconsin does not index benefits to inflation.

In Wisconsin:

- In 1987, a single parent with two children, and with no income, was eligible for a maximum AFDC cash benefit of $549 per month, or $6,588 per year.[2] This AFDC benefit equaled 72.6 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

  However, benefit levels were *cut* for 1988. In 1988, the maximum AFDC benefit for a three-person family equals $517 a month, or 65.6 percent of the estimated 1988 poverty line.

- The 1987 AFDC benefit level for a family of three ranked fifth out of all states.[3] The 1988 level ranks eighth.

- In 1987, the maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equaled $143 per month. At most, AFDC and food stamp benefits combined could equal 91.5 percent of the poverty line.[4] (This percentage will drop in 1988 because of the cutback in AFDC benefits.) Most, but not all, AFDC beneficiaries receive food stamps.

- For a family of three without any income, 1988 AFDC benefit payments equal only 79.9 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits in 1987 were $7,872 per year, which equaled 67.7 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987). However, these benefits also were cut back for 1988, to $7,404 a year or just 61.0 percent of the estimated four-person poverty line.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for

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[2] Benefit levels are for urban areas.

[3] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[4] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Wisconsin who incurred deductible child care costs of $106 a month,[5] earnings of $750 a month in 1987 -- equal to 99.2 percent of the poverty line -- meant the loss of all AFDC benefits after the fourth month she held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Wisconsin:

- For a single mother with two children who did *not* get a child care deduction, earnings of just $644 a month in 1987 -- equal to 85.2 percent of the poverty line -- meant the loss of all AFDC benefits after the fourth month she held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Wisconsin provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Wisconsin has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

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[5] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

[6] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, some 15.8 percent of the AFDC caseload in Wisconsin consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In Wisconsin:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]

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[7] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

[8] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In

- Wisconsin supplements the basic federal SSI grant by $102 a month for an individual and $164 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 97.2 percent of the poverty line for an individual and 117.5 percent for a couple.

- The value of the state supplement, after adjustment for inflation, *declined* by 36.7 percent for an individual and 35.3 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients are not eligible for food stamps because they have been "cashed out"; that is, Wisconsin's SSI supplement has been specifically increased so as to include the value of food stamp benefits.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Wisconsin:

- Counties are required by state law to have general assistance programs that serve needy people. These programs must conform to state policy, but there are no statewide benefit standards.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8

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inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many such two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Wisconsin extends Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Wisconsin, a family of three with a monthly countable income of less than $641, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 84.8 percent of the poverty line for a family of three.

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[9] The figures cited are for 1987. In January 1988, Wisconsin's Medically Needy three-person income eligibility limit was $689 a month, or 7.5 percent above the 1987 figure. Therefore, unless inflation is unexpectedly high in 1988, the income limit as a percentage of the poverty line should also increase. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Wisconsin does *not* have a SOBRA program, leaving some pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Wisconsin covered 26 out of 32 possible optional Medicaid services for many Medicaid households. Among the services *not* covered by the Medicaid program in Wisconsin was podiatry services.
- However, for households that received Medicaid coverage under the Medically Needy program, coverage was much more limited. Only 12 options were covered. Additional services and care not covered for

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[10] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

[11] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Medically Needy households included dental services, eyeglasses, and emergency hospital services.

Elderly and Disabled

In most states, including Wisconsin, all of the elderly and disabled who receive SSI payments are eligible for Medicaid.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Wisconsin has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $441, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 97.0 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Wisconsin has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option. However, because of the strength of other assistance programs, relatively few additional elderly and disabled people would be covered by Medicaid if Wisconsin adopted this provision.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Wisconsin does not pay for certain services to the elderly in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Wisconsin.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Wisconsin:

- Some 35.3 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Wisconsin ranked 22nd among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 52.2 percent of the unemployed in Wisconsin received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Wisconsin:

- Average unemployment insurance benefits equaled 43.5 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Wisconsin, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	40.8%
Corporation net income	7.4
General sales	28.1
Selective sales	14.4
License	5.2
Other taxes	4.1

As the table indicates, Wisconsin collects 48.2 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the

poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Wisconsin:

- A two-parent family of four will begin to owe income taxes when its income reaches $10,800, which is 88.3 percent of the estimated 1988 poverty line.

While some poor households pay state income tax, sales tax burdens for poor households in most states are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Wisconsin:

- The sales tax rate was 5.0 percent in 1987.
- Some 28.1 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Wisconsin:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Wisconsin does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Wisconsin has a circuitbreaker program.[12]
- Homeowners and renters of all ages are eligible for the program.
- The average annual benefit from the circuitbreaker in Wisconsin was $370 in 1985, and benefits could be extended to households with incomes up to $16,500.
- However, because the Wisconsin circuitbreaker program does not appear to be well-publicized among low-income households who are not elderly or disabled, program participation by these groups is low.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

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[12] Circuitbreaker information is from 1985.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 67,385 renter households in Wisconsin received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number just of "very low-income" renter households residing in Wisconsin totalled 193,200. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 34.9 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 34.9 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low income renter households substantially exceeds the number of very low-rent units in most states.[13] In Wisconsin:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 97.0 percent. This represented a shortage of 73,671 very low-rent units.

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Wisconsin's share of the federal LIHEAP appropriation equaled 25.6 percent of the estimated total heating and cooling costs[14] of all low-income households in Wisconsin which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

Wisconsin has adopted an Energy Assistance Program (EAP), but it is a pilot program, operating only in Polk and Kenosha counties.

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[14] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Wisconsin, an estimated 49.2 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Wisconsin supplements the WIC program, bringing the overall percentage of WIC eligibles who were served in June 1987 to 52.4 percent.

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[15] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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COLORADO

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO
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Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

Spring 1988

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Colorado Highlights

Estimated poverty rate, 1985	10.3%
Estimated number of poor, 1985	333,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	45.8%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	72.8%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	55.7%
Percentage of unemployed receiving unemployment insurance, 1986	26.7%
Percentage of state tax revenue from individual and corporate income tax, 1986	45.8%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

COLORADO

An estimated 10.3 percent of the population of Colorado, or 333,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Colorado, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of benefits that leaves them below the poverty line.

Colorado's safety net for poor households is weaker than those of a majority of other states. Colorado's AFDC benefit levels are low, ranking 29th in the nation, despite the fact that Colorado ranks 13th in the nation in per capita income.[2] The maximum AFDC benefit for a mother and two children with no other income equals less than half (45.8 percent) of the poverty line. The combined value of maximum AFDC and food stamp benefits in Colorado still leaves a family with no other income several thousand dollars below the poverty line. AFDC benefits levels in Colorado have fallen far behind inflation in recent years. The benefit for a family of four with no other income has dropped 38.8 percent since 1970, after adjusting for inflation.

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[1] The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

[2] The per capita income ranking used here is based on 1987 data. The Center's companion report, *Holes in the Safety Nets -- National Overview*, used 1986 data, the latest available at the time it was prepared. In 1986, Colorado ranked 12th.

In addition, Colorado has elected not to provide AFDC benefits to poor two-parent families. There also is no state general assistance program for poor single individuals or childless couples who are not elderly or disabled; while some counties have a general assistance program, other counties do not.

Colorado is one of just seven states in the nation that does not currently offer any of four key Medicaid options that provide health coverage to members of poor families with children who do not receive AFDC benefits or to elderly and disabled people who do not receive SSI. Twenty-five states extend Medicaid coverage to pregnant women and infants who live in families with incomes up to the poverty line, but Colorado does not. Colorado's Medicaid income eligibility limit is set at just 55.7 percent of the poverty line, making many families with incomes that are well below the poverty line -- including those with pregnant women and infants -- ineligible for health care coverage. Moreover, unlike most states, Colorado has chosen not to provide Medicaid to poor households whose high medical expenses reduce their incomes to levels that make them poorer than households receiving AFDC or SSI. Finally, the adults in two-parent families and many of their children are ineligible for Medicaid, no matter how poor they are.

Only about one of every four unemployed people receive unemployment insurance benefits in Colorado. Unemployed people who either do not qualify for or have exhausted unemployment benefits are ineligible for any cash assistance whatsoever in some parts of Colorado unless they are single parents or elderly or disabled people. They are also unlikely to receive health care coverage.

In a positive step, Colorado recently raised its income tax threshold to $12,800 for a family of four, a threshold which is more than double that of 1986 and which is above the estimated 1988 poverty line. Local property taxes, however, remain burdensome to Colorado families in poverty. The state "circuitbreaker" program extends property tax relief only to low-income elderly and disabled households, excluding other low-income households, including families with children.

These and other aspects of the Colorado safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Colorado well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Colorado does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Colorado:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $346 per month, or $4,152 per year. This AFDC benefit equals 45.8 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).
- This AFDC benefit level for a family of three ranks 29th out of all states.[3]
- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $204 per month. At most, AFDC and food stamp benefits combined can equal 72.8

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[3] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

percent of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 82.2 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Colorado last raised its need standard in 1984.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,040 per year, which equals 43.3 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 38.8 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Colorado who incurs deductible child care costs of $106 a month,[5] earnings of $620 a month -- equal to 82.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Colorado:

- For a single mother with two children who does *not* get a child care deduction, earnings of $514 a month -- equal to 68.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

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[4] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

[5] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Colorado does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Colorado does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Colorado, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed. (In some states, the general assistance program does offer aid to two-parent families, but two-parent families are typically excluded from such aid.)

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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[6] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7] Moreover, even though Colorado supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty (the supplement does lift couples out of poverty).

In Colorado:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]
- Colorado supplements the basic federal SSI grant by $58 a month for an individual and $116 a month for a couple.[9] Together, the maximum federal and state supplemental SSI grants equal 87.6 percent of the poverty line for an individual and 109.2 percent for a couple.
- The value of the state supplement, after adjustment for inflation, remained essentially the same for an individual, but declined by 58.0 percent, or nearly three-fifths, for a couple from 1974 (the year SSI started) to 1987.
- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household

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[7] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

[8] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

[9] The supplements discussed here are for elderly households. The supplements for disabled households are much lower, equal to only $4 for an individual and $8 for a couple in Colorado.

qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $25 per month for an individual and $29 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 93.0 percent of the poverty line for individuals and 114.1 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Colorado:

- There are no state standards for the provision of general assistance. Counties can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards. Some counties provide little or no assistance.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program with the federal government, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Colorado does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Colorado does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Colorado extends Medicaid coverage only to some income-eligible children under 21 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those in foster care.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Colorado is one of 14 states that does *not* have a Medically Needy program. Consequently, in Colorado the Medicaid income eligibility limit is the same as the AFDC income eligibility limit, which is 55.7 percent of the three-person poverty level.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

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[10] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Colorado does not have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

Colorado is one of only seven states that has adopted *none* of the four key Medicaid options described above: coverage of two-parent families, coverage of Ribicoff children, a Medically Needy program, and SOBRA coverage of pregnant women and young children. In contrast, forty-one states have adopted two or more of these options.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Colorado covered 16 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Services *not* covered by the Medicaid program in Colorado included occupational therapy and care for speech, hearing and language disorders.

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[11] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Moreover, recipients of the federal SSI grant are automatically eligible for Medicaid, but for people who receive just the SSI supplement, Colorado has chosen to provide automatic eligibility only to those who are elderly, and not to those who are disabled.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Colorado does not have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Colorado has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Colorado does not pay for items and services such as prosthetic devices, dentures, and physical therapy.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Colorado.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Colorado:

- Only 26.7 percent of the unemployed received unemployment insurance benefits in an average month in 1986.

- Colorado ranked 39th among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Colorado:

- Average unemployment insurance benefits equaled 40.7 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Colorado is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of a state general cash assistance program (there are county-based general cash assistance programs). As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive government cash assistance, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Colorado, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	40.8%
Corporation net income	5.0
General sales	31.4
Selective sales	14.4
License	6.1
Other taxes	2.3

As the table indicates, Colorado collects 45.8 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Colorado:

- A two-parent family of four will begin to owe income taxes when its income reaches $12,800 (a level just above the estimated 1988 poverty line for a family of four).

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Colorado:

- The sales tax rate was 3.0 percent in 1987.[12]
- 31.4 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Colorado:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Colorado does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around

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12. In addition to the state sales tax of 3.0 percent, some counties and cities also have sales taxes. For example, Denver has a sales tax of 4.1 percent and Pueblo has a sales tax of 3.5 percent, bringing the total state and local sales tax in those areas to 7.1 percent and 6.5 percent respectively.

the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Colorado has a circuitbreaker program.[13]
- However, the circuitbreaker is limited to elderly or disabled homeowners and renters, thus failing to assist the nonelderly and nondisabled.
- The average annual benefit from the circuitbreaker in Colorado was $271 in 1985, and benefits could be extended to households with incomes up to $11,200.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

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[13] Circuitbreaker information is from 1985.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 39,605 renter households in Colorado received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number of just "very low-income" renter households residing in Colorado totalled 159,850. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 24.8 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 24.8 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14] In Colorado:

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[14] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *125.6 percent*. This represented a shortage of 59,727 low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Colorado's share of the federal LIHEAP appropriation equaled 32.3 percent of the estimated total heating

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renter household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

and cooling costs[15] of all low-income households in Colorado which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Colorado, an estimated 51.7 percent of those who are eligible are served under the federally-funded WIC program.[16]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Colorado does not supplement the WIC program.

Colorado is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. The CSFP program serves 15,195 participants. (The WIC participation rate mentioned above accounted for these CSFP participants. CSFP participants are ineligible for the WIC program, so the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.)

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[15] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

[16] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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DISTRICT OF COLUMBIA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state and local tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states or the District of Columbia in recent months. As the reports indicate, the gaps in the safety nets often remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

District of Columbia Highlights

Estimated poverty rate, 1986	17.4%
Estimated number of poor, 1986	104,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	48.1%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	74.4%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	64.2%
Percentage of unemployed receiving unemployment insurance, 1986	36.9%
Percentage of local tax revenue from individual and corporate income tax, 1986	34.7%

Optional programs*	D.C. has program?	Number of states with program**
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI supplement	yes	27
Local general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	yes	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**The District of Columbia is counted as a state in these totals.

DISTRICT OF COLUMBIA

An estimated 17.4 percent of the population of the District of Columbia, or 104,000 people, lived in poverty in 1986.[1] This is one of the highest poverty rates of any jurisdiction in the country. This report focuses on the role of the District government in fashioning benefit programs to assist these people, as well as District tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the District of Columbia. Nor does it emphasize changes in District policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the District's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in the District of Columbia receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that leaves them below the poverty line.

Although the District of Columbia has adopted most of the options that federal law makes available in federally-assisted programs to aid the poor, sizable holes in the safety net remain.

The maximum AFDC benefit for a family of three equals less than half (48.1 percent) of the poverty line. If food stamps are counted as income and added in, the maximum combined AFDC and food stamp benefit equals only about three-fourths (74.4 percent) of the poverty line. Compared to the 50 states, the

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1. The 1986 poverty figures were calculated by the Greater Washington Research Center based on U.S. Census Bureau data. They are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. The national comparison report includes 1985 poverty data calculated by researchers at the Institute for Research on Poverty at the University of Wisconsin-Madison, based on Census data. The 1985 estimates are the most recent for all the states and the District of Columbia.

District ranks 23rd in the nation in AFDC benefit levels, despite the fact that its per capita income is higher than that of every state except Connecticut.

In addition, for all members of a three-person family with children to be eligible for Medicaid the family must have income (after medical expenses and some limited deductions) less than 64.2 percent of the poverty line. In a positive step, however, the District has adopted the new option that extends Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line.

General cash assistance goes only to the disabled, leaving low-income single individuals and childless couples who are not disabled or elderly without cash aid. These types of households are also unlikely to receive health care coverage.

The problems that can be caused by the lack of a broader general assistance program are compounded by the fact that only 36.9 percent of the unemployed received unemployment insurance in 1986.

The elderly and disabled poor may receive Supplemental Security Income benefits, but because the District's SSI supplement is low, benefit levels remain below the poverty line. Twenty-one states supplement SSI benefits for their poor elderly and disabled citizens more than the District does. The SSI supplement for an individual in the District is $15 a month.

The District recently took another positive step when it reformed its income tax to remove many working poor families from the tax rolls. It raised the income tax threshold for a family of four of $4,000 in 1986 by more than three-fold. The 1988 threshold is $12,800.

Perhaps the most serious problem in the District's safety net is the lack of sufficient low income housing. The number of very low-income renters is *more than three times* the number of very low-rent units.

These and other aspects of the District's safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) to two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

The District of Columbia is considered and is often referred to as a state in this analysis.

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in the District of Columbia well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Even though the District of Columbia now indexes benefits to inflation, the value of its AFDC benefits has declined markedly since 1970.

In the District of Columbia:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $364 per month, or $4,368 per year. This AFDC benefit equals 48.1 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 23rd out of all states. (State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51.")

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $199 per month. At most, AFDC and food stamp benefits combined can equal

74.4 percent of the poverty line.[2] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 51.1 percent of the District's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,292 per year, which equals 45.5 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost-of-living. For example, the maximum benefit for a four-person family fell 36.5 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in the District of Columbia who incurs deductible child care costs of $106 a month,[3] earnings of $565 a month -- equal to 74.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In the District of Columbia:

- For a single mother with two children who does *not* get a child care deduction, earnings of only $459 a month -- equal to 60.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

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[2] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

[3] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- The District of Columbia provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[4] Some 28 states have such a program (known as "AFDC-UP").

- The District of Columbia has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986 only 1.0 percent of the AFDC caseload in the District of Columbia consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

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[4] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[5] Moreover, even though the District of Columbia supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

In the District of Columbia:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[6]
- The District of Columbia supplements the basic federal SSI grant by $15 a month for an individual and $30 a month for a couple. Together, the maximum supplemental SSI grants equal 78.1 percent of the poverty line for an individual and 94.2 percent for a couple.
- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $38 per month for an individual and $54 per month for a couple.

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[5] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

[6] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 86.4 percent of the poverty line for individuals and 103.6 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In the District of Columbia:

- There is a general assistance program but it serves only disabled persons. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).

- For a disabled household without any income, the monthly benefits are $239 for one person or $298 for a two-person household, which are equal to 48.3 percent and 49.6 percent of the respective poverty lines for these households.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program with the federal government, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- The District of Columbia extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in the District of Columbia, a family of three with a monthly countable income of less than $485, after deducting medical expenses, is eligible for Medicaid. This income eligibility limit is equal to 64.2 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[7] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

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[7] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[8]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.[9]

- The District of Columbia has a SOBRA program, with an eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, the District of Columbia covered 25 out of 32 possible optional Medicaid services. Important services *not* covered by the Medicaid program in the District of Columbia included dental and chiropractic services.

The provisions of the Medicaid program in the District of Columbia are especially noteworthy because in 1985 its infant mortality rate was 20.8 per thousand births, which was nearly double the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

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8. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

9. Prenatal care is available at clinics in the District of Columbia for all pregnant women with family incomes less than 185 percent of the federal poverty level who are not eligible for Medicaid and do not have other insurance coverage.

Elderly and Disabled

In most states and in the District of Columbia, nearly all of the elderly and disabled who receive SSI payments are eligible for Medicaid.[10] However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- The District of Columbia has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $362, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 79.6 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- The District of Columbia has adopted Medicaid coverage for the elderly and disabled under the SOBRA option, with an eligibility limit equal to the federal poverty line.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in the District of Columbia does not pay for items such as dentures.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or city programs for the indigent. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in the District of Columbia.

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[10] Recipients of just the District's SSI supplement are not automatically eligible for Medicaid because of this status, but do receive coverage under SOBRA (see below).

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In the District of Columbia:

- 36.9 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- The District of Columbia ranked 17th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 44.6 percent of the unemployed received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In the District of Columbia:

- Average unemployment insurance benefits equaled 34.6 percent of the average weekly wages of workers covered by unemployment

> insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In the District of Columbia, local tax revenues in 1986 were generated from the following sources.

Individual income	25.9%
Corporation net income	8.8
General sales	21.0
Selective sales	9.7
License	2.2
Property	28.2
Other taxes	4.2

As the table indicates, the District of Columbia collects just 34.7 percent of its revenue through its individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the

poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In the District of Columbia:

- A two-parent family of four will begin to owe income taxes when its income reaches $12,800 (which is above the estimated 1988 poverty line). This high threshold reflects a sharp increase from the 1986 threshold of $4,000.

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In the District of Columbia:

- The sales tax rate was 6.0 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- 21.0 percent of all revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In the District of Columbia:

- Utilities were *not* exempt from taxation; food was exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- The District of Columbia does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government. In the District of Columbia, 28.2 percent of local revenues was collected through the property tax.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states).

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- The District of Columbia has a circuitbreaker program.[11]
- All age groups and both homeowners and renters are eligible for the circuitbreaker.
- The average annual benefit from the circuitbreaker in the District of Columbia was $288 in 1985, and benefits could be extended to households with incomes up to $20,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

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[11] Circuitbreaker information is from 1985.

- In 1985, some 28,131 renter households in the District of Columbia received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in the District of Columbia totalled 69,330. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 40.6 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 40.6 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In the District of Columbia:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by a staggering 213.1 percent. This represented a shortage of 31,679 very low-rent units.

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, the District of Columbia's share of the federal LIHEAP appropriation equaled only 18.8 percent of the estimated total heating and cooling costs[13] of all low-income households in the District of Columbia which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

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[13] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In the District of Columbia, an estimated 78.1 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- The District of Columbia supplements the WIC program, but participation figures for the supplemental program are unavailable.

The District of Columbia has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. (The WIC participation rate mentioned above did account for these CSFP participants. CSFP participants are ineligible for the WIC program, so the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.) The CSFP program in the District serves 5,858 participants.

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[14] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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FLORIDA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Florida Highlights

Estimated poverty rate, 1985	13.4%
Estimated number of poor, 1985	1,523,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	34.9%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	65.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	47.5%
Percentage of unemployed receiving unemployment insurance, 1986	18.3%
Percentage of state tax revenue from individual and corporate income tax, 1986	5.3%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	yes	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

FLORIDA

An estimated 13.4 percent of the population of Florida, or 1,523,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For who are poor in Florida, eligibility for government assistance and the level of benefits they receive are dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid that lifts them to the poverty line.

The safety net for Florida's poor people is weaker than that in most other states in the nation. Florida's level of AFDC cash assistance to single-parent families ranks 39th among all states and the District of Columbia, despite the fact that Florida ranks 19th in per capita income.[2] Maximum AFDC benefits for a mother and two children with no other income equal just 34.9 percent of the poverty line.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

2. The per capita income ranking used here is based on 1987 data. The Center's companion report, Holes in the Safety Nets -- National Overview, used 1986 data, the latest available at the time it was prepared.

In addition, Florida elects not to provide AFDC to poor two-parent families with children and has no general assistance program for poor single individuals and childless couples who are not elderly or disabled. Florida also elects not to participate in the AFDC Emergency Assistance program, which some states use on a limited basis to provide aid to the homeless.

The elderly and disabled poor receive only the basic federal SSI grant, which leaves them below the poverty line. Twenty-seven states have chosen to supplement the federal SSI benefit to bring the elderly and disabled poor closer to or above the poverty line; Florida is not one of these states.

In 1986, only 18.3 percent of Florida's unemployed received unemployment insurance benefits, the second lowest rate of any state. Since, as noted, Florida does not provide AFDC benefits to poor two-parent families or general assistance benefits to poor single individuals or childless couples, this means that many unemployed households in Florida (including those who are looking for work but have exhausted their unemployment benefits) are ineligible for any form of cash assistance despite their poverty.

Many of the poor in Florida are not eligible for Medicaid. For all members of a three-person family to be eligible for Medicaid, the family must have income (after medical expenses and some limited deductions) of less than half the poverty line.

On the other hand, Florida has recently taken two positive steps affecting the health care of pregnant women and young children. Florida has adopted the new option that extends Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line. The state has also instituted a new infant formula purchasing procedure under its WIC program that should permit program participation to expand.

These and other aspects of the state safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Florida well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Florida does not index benefits to inflation, and the value of its AFDC benefits has declined over time.

In Florida:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $264 per month, or $3,168 per year. This AFDC benefit equals 34.9 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).
- This AFDC benefit level for a family of three ranks 39th out of all states.[3]
- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 65.1 percent of the poverty line.[4]

However, nearly one of every four AFDC households in Florida does not receive food stamps. Florida's food stamp participation rate for AFDC households is the eighth lowest in the nation, according to a recent report by the U.S. General Accounting Office.

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[3] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[4] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

- For a family of three without any income, AFDC benefit payments equal only 34.1 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $3,744 per year, which equals 32.2 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 20.3 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Florida who incurs deductible child care costs of $106 a month,[5] earnings of $465 a month -- equal to 61.5 percent of the poverty line -- means the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Florida:

- For a single mother with two children who does *not* get a child care deduction, earnings of only $359 a month -- equal to 47.5 percent of the poverty line -- means the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

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[5] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

- Florida does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Florida does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Florida, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as nursing homes).

In Florida:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Florida does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be

either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

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[8] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

In Florida:

- There is no general assistance program, thus leaving nondisabled, nonelderly singles and childless couples who are poor without *any* cash assistance (unless they are receiving unemployment insurance).

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Florida does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Florida provides Medicaid coverage to two-parent families with an unemployed primary worker who meet its AFDC income eligibility requirements.

Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Florida extends Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy program**. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Florida, a family of three with a monthly countable income of less than $359, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 47.5 percent of the poverty line for a family of three. (Florida's Medically Needy program is now scheduled to expire in October 1988. Extension of the program is under consideration.)

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

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[9] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

[10] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

[11] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Florida has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Florida covered 17 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Services *not* covered by the Medicaid program in Florida included occupational and physical therapy.

The provisions of the Medicaid program in Florida are especially noteworthy because in 1985 the state infant mortality rate was 11.3 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Florida, virtually all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Florida has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $275, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 60.5 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to all elderly and disabled people in poverty.

- Florida has adopted Medicaid coverage for the elderly and disabled under the SOBRA option, but set an income eligibility limit equal to 90 percent of the poverty line. (Florida could have set this limit up to the poverty line.)

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Florida does not pay for services such as private duty nursing and certain services for those aged 65 or older in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Florida.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Florida:

- Only 18.3 percent of the unemployed, fewer than one of every five, received unemployment insurance benefits in an average month in 1986.
- Florida ranked 50th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 23.7 percent of the unemployed in Florida received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Florida:

- Average unemployment insurance benefits equaled 37.3 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Florida is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of any general cash assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from *any* level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Florida, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	0%
Corporation net income	5.3
General sales	55.1
Selective sales	22.3
License	6.8
Other taxes	10.4

As the table indicates, Florida is one of only 10 states without a broad-based individual income tax and collects just 5.3 percent of its revenue from the corporation net income tax. This minimal reliance on income taxes usually makes a state tax system significantly more regressive and increases overall tax burdens on low-income people.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Florida:

- The sales tax rate was 5.0 percent in 1987.
- More than half, or 55.1 percent, of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Florida:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Florida does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Florida does *not* have a circuitbreaker program.[12]

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[12] Circuitbreaker information is from 1985.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 134,471 renter households in Florida received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Florida totalled 587,050. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 22.9 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 22.9 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the

number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In Florida:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *126.2 percent*. This represented a shortage of 188,771 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

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[13] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

- In fiscal year 1987, Florida's share of the federal LIHEAP appropriation equaled only 9.1 percent of the estimated total heating and cooling costs[14] of all low-income households in Florida which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Florida, only an estimated 39.5 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Florida does not supplement the WIC program.

Florida has recently instituted new procurement methods that are reducing the cost of the infant formula provided through its WIC program so that WIC dollars can be stretched further and more of those who are eligible can be reached. Moreover, modifications in these new procurement methods, which Florida is now in the process of implementing, will markedly increase these savings and substantially boost the number of additional participants that can be served. Florida is one of the leaders in the nation in measures to reduce WIC infant formula costs.

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[14] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

[15] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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GEORGIA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Georgia Highlights

Estimated poverty rate, 1985	17.7%
Estimated number of poor, 1985	1,058,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	34.8%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	64.9%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	46.3%
Percentage of unemployed receiving unemployment insurance, 1986	25.1%
Percentage of state tax revenue from individual and corporate income tax, 1986	48.1%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	yes	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no**	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Families with children	yes	36
Elderly and disabled	no	34
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

**The state legislature recently passed a law that will implement this option in January 1989.

GEORGIA

An estimated 17.7 percent of the population of Georgia, or 1,058,000 people, lived in poverty in 1985,[1] making Georgia one of the poorest states in the nation. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Georgia, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid that lifts them to the poverty line.

The safety net for poor people in Georgia is weaker than in most other states in the nation. Although Georgia increased its maximum AFDC benefit level for a family of three by 14 percent from 1986 to 1987, after adjusting for inflation, it was so low to begin with that the level of AFDC cash assistance to single-parent families ranks 41st among all states and the District of Columbia. In 1987, AFDC benefits for a mother and two children with no other income equalled $263 a month, or only 34.8 percent of the poverty line. In addition, Georgia has elected not to provide AFDC benefits to poor families with children in which both the father and mother are present. Some counties lack a general assistance program for poor single individuals or childless couples.

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[1] The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

Medicaid eligibility is also limited. A family with children must have income (after medical expenses and some limited deductions) that falls below half of the poverty line before the family can be eligible for Medicaid coverage. Poor individuals and childless couples who are neither elderly nor disabled are generally ineligible for health care coverage.

In a positive step, state legislation was recently passed that adopts the new option extending Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line. This option will be implemented in January 1989.

Elderly and disabled poor people receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the federal SSI benefit to bring the elderly and disabled poor closer to or above the poverty line. Georgia is not one of these states.

Unemployment insurance coverage is restrictive. Only one in four (25.1 percent) unemployed Georgia workers received unemployment insurance in 1986. Many poor unemployed workers who either do not qualify for or have exhausted unemployment benefits are ineligible for any cash assistance unless they are single parents.

While providing limited assistance to low-income families, Georgia imposes significant tax burdens on many of them. Although Georgia raised its income tax threshold substantially in 1987, thereby reducing the burdens of the state income tax on poor households, other aspects of its tax system remain regressive. Georgia is one of only three states in the nation that fails to exempt either food or utilities from the sales tax or to provide a sales tax rebate to poor households. Unlike 31 other states, Georgia also lacks a property tax relief program for low-income households.

These and other aspects of the Georgia safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Georgia well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Georgia does not index benefits to inflation, and the value of its AFDC benefits has declined over time.

In Georgia:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $263 per month, or $3,156 per year. This AFDC benefit equals 34.8 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).
- This AFDC benefit level for a family of three ranks 41st out of all states.[2]
- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 64.9 percent of the poverty line.[3]

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[2] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[3] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

However, more than one of every five AFDC households in Georgia does not receive food stamps. Georgia's food stamp participation rate for AFDC households is the tenth lowest in the nation, according to a recent report by the U.S. General Accounting Office.[4]

- For a family of three without any income, AFDC benefit payments equal only 71.9 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Georgia last raised its need standard in 1982, although the cost of living increased 18 percent from 1982 to 1987.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $3,720 per year, which equals 32.0 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 20.2 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Georgia who incurs deductible child care costs of $106 a month,[5] earnings of $464 a month -- equal to 61.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Georgia:

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[4] The GAO reported that 78.3 percent of AFDC households in Georgia received food stamps in fiscal year 1986, while 21.7 percent -- or 18,207 AFDC households -- did not. Households in which all members are covered by an AFDC grant are automatically eligible for food stamps. Some 88.8 percent of these AFDC households received food stamps in Georgia, but 11.2 percent -- or 4,824 households -- did not.

[5] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

- For a single mother with two children who does *not* get a child care deduction, earnings of only $358 a month -- equal to 47.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Georgia provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Georgia does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Georgia, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed. (In some states, counties with a general assistance program do offer aid to two-parent families, but two-parent families are typically excluded from such aid.)

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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[6] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant.[7]

In Georgia:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.
- Georgia does *not* supplement the basic federal SSI grant.
- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.
- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

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[7] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as nursing homes).

[8] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Georgia:

- There are no state standards for the provision of general assistance. Counties can establish their own programs but are not subject to requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards. Some counties provide little or no assistance.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Georgia does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Georgia provides Medicaid coverage to two-parent families with an unemployed primary earner who meet its AFDC income eligibility requirements.

Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Georgia extends Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a Medically Needy program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Georgia, a family of three with a monthly countable income of less than $350, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 46.3 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

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[9] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

[10] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Georgia currently does not provide SOBRA coverage, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage. (However, the state legislature recently passed legislation that will implement the option in January 1989. In addition, Georgia does have a state program that assists in the provision of care to medically-indigent high-risk women who are not eligible for Medicaid.)

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Georgia covered 13 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Georgia included occupational therapy and emergency hospital services.

The restrictiveness of the Medicaid program in Georgia is especially noteworthy because in 1985 the state infant mortality rate was 12.7 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Georgia, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

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[11] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. They can be covered under a state's **Medically Needy** program.

- Georgia, however, is one of only two states that has a Medically Needy program for low-income families, but not for the elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Georgia has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Georgia does not pay for services such as diagnostic services and certain services for the elderly in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Georgia.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Georgia:

- Only 25.1 percent of the unemployed, or one of every four, received unemployment insurance benefits in an average month in 1986.
- Georgia ranked 40th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 32.4 percent of the unemployed in Georgia received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Georgia:

- Average unemployment insurance benefits equaled 31.2 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Georgia is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of a state general cash assistance program. (There are county-based cash assistance programs.) As a result, in many households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker do not receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Georgia, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	39.6%
Corporation net income	8.5
General sales	33.4
Selective sales	14.2
License	3.1
Other taxes	1.2

As the table indicates, Georgia collects 48.1 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

Georgia recently raised its income tax threshold, but some poor households still pay state income taxes.

- A two-parent family of four will begin to owe income taxes when its income reaches $9,000, which is 73.6 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Georgia:

- The sales tax rate was 3.0 percent in 1987.
- 33.4 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Georgia:

- Food and utilities were *not* exempt from taxation. (There is one notable exception. By federal law, purchases made with food stamps are exempt from the sales tax.)

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Georgia does not have a sales tax credit.

Georgia is one of only three states with a sales tax that does not offset the burden of the sales tax on the poor by any of the above measures: exempting food or utilities or providing a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Georgia does *not* have a circuitbreaker program.[12]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

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[12] Circuitbreaker information is from 1985.

- In 1985, some 115,297 renter households in Georgia received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Georgia totalled 337,760. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 34.1 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 34.1 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In Georgia:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 54.4 percent. This represented a shortage of 65,822 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Georgia's share of the federal LIHEAP appropriation equaled only 10.5 percent of the estimated total heating and cooling costs[14] of all low-income households in Georgia which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

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[14] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In Georgia, an estimated 49.2 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Georgia does not supplement the WIC program.

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[15] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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HAWAII

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Hawaii Highlights

Estimated poverty rate, 1985	10.7%
Estimated number of poor, 1985	112,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	56.5%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	92.9%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	56.5%
Percentage of unemployed receiving unemployment insurance, 1986	37.3%
Percentage of state tax revenue from individual and corporate income tax, 1986	34.3%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

HAWAII

An estimated 10.7 percent of the population of Hawaii, or 112,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Hawaii receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that does not lift them out of poverty.

The safety net for poor people in Hawaii contains some large holes. The combined value of AFDC and food stamp benefits leaves a recipient family below the poverty line, in part because AFDC benefits have declined 25.3 percent since 1970, after adjusting for inflation. To be eligible for Medicaid, a three-person family must have income (after medical expenses and some limited deductions) of less than 56.5 percent of the poverty line. Hawaii has not adopted some of the

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent. It also should be noted that the poverty problem in Hawaii is understated because Ross and Danziger followed the Census Bureau procedure of using the same poverty line for all states, even though the cost of living is higher in Hawaii.

key Medicaid options that provide broader coverage to members of needy families that do not receive AFDC benefits, such as options extending coverage to all poor pregnant women and children.

Hawaii's SSI supplements of just $5 a month for an individual and $9 a month for a couple do not lift the elderly and disabled close to the poverty line. Twenty-five of the other 26 states that provide SSI supplements provide larger supplements than does Hawaii, even though the cost of living is higher in Hawaii than in these other states. Indeed, after Hawaii's higher cost of living is taken into account, Hawaii's combined SSI benefit levels turn out to be the lowest of any of the 50 states.

General cash assistance from the state goes only to disabled people, leaving low-income single individuals and childless couples who are neither elderly nor disabled without aid. These types of households are also unlikely to receive health care coverage. In addition, in 1986 only 37.3 percent of the unemployed in Hawaii received unemployment insurance.

These and other aspects of Hawaii's safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Hawaii below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Hawaii does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Hawaii:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $491 per month, or $5,892 per year. This AFDC benefit equals 56.5 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line in Hawaii[2] is $10,429 in 1987).
- This AFDC benefit level for a family of three ranks 10th out of all states.[3]
- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $316 per month. At most, AFDC and food stamp benefits combined can equal 92.9 percent of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)
- For a single-parent family of *four* without any income, maximum AFDC benefits are $6,888 per year, which equals 51.5 percent of

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[2] In order to adjust for the higher cost of living in Hawaii than in the continental United States, the estimated 1987 poverty line for the United States of $9,069 was inflated by 15 percent to $10,429. Although this approach was not used in calculating the poverty rate in Hawaii, it is used throughout the rest of the analysis in calculating the effect of various poverty policies. An upward adjustment factor of 15 percent for Hawaii is used by the federal government in determining eligibility for some programs.

[3] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[4] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

the 1987 poverty line (the estimated four-person poverty line is $13,373 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 25.3 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Hawaii who incurs deductible child care costs of $106 a month,[5] earnings of $692 a month -- equal to 79.6 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Hawaii:

- For a single mother with two children who does *not* get a child care deduction, earnings of only $586 a month -- equal to 67.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Hawaii does not provide AFDC emergency assistance.

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[5] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Hawaii has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 5.6 percent of the AFDC caseload in Hawaii consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $444 -- or $1.21 per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

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[6] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

[7] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those

In Hawaii:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]
- Hawaii supplements the basic federal SSI grant, but only by $5 a month for an individual and $9 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 66.0 percent of the poverty line for an individual and 78.7 percent for a couple.
- Even though the cost of living is higher in Hawaii than in the continental United States, among the states that supplement the federal SSI benefit, Hawaii provides the second lowest level. After adjusting for differences in the cost of living, Hawaii's combined federal and state SSI benefit levels are the lowest of all 50 states; that is, its small supplement does not even cover the cost-of-living differential between Hawaii and the continental United States.
- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $129 per month for an individual and $188 per month for a couple.
- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 90.7 percent of the poverty line for individuals and 107.2 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but

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receiving in-home health care).

[8] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. For Hawaii, the estimated 1987 poverty line for an elderly individual is $6,273; for a two-person elderly household, it is $7,914.)

not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Hawaii:

- There is a state general assistance program, but it serves only disabled people aged 55 or over. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).
- For a household without any income, the monthly benefits are $297 for one person or $390 for a two-person household, which are equal to 53.6 percent and 54.9 percent of the respective poverty lines for these households.[9]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $133 for an individual and $244 for a couple. However, these federal benefit levels are equal to only 24.0 percent and 34.4 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

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[9] In some state programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Hawaii extends Medicaid coverage only to some income-eligible children.

It is one of 19 states that has chosen to restrict this coverage to small groups of children.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Hawaii, a family of three with a monthly countable income of less than $475, after deducting medical expenses, is eligible for Medicaid.[10]
- However, Hawaii is one of only seven states where the Medically Needy threshold is *lower than* the AFDC income eligibility limit of $491 per month or 56.5 percent of the poverty line. Therefore, the Medically Needy program extends coverage only to those families whose medical expenses drive their countable income somewhat below the state's AFDC income eligibility limit.

Another key option is the **SOBRA**[11] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

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[10] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

[11] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[12]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Hawaii does not have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Hawaii covered 22 out of 32 possible optional Medicaid services. Services *not* covered by the Medicaid program in Hawaii included inpatient psychiatric services for people under age 22 and chiropractic services.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

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[12] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- Hawaii is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Hawaii has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $300, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 57.4 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Hawaii has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Hawaii does not pay for services for those aged 65 or over who are in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Hawaii.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Hawaii:

- 37.3 percent of the unemployed received unemployment insurance benefits in an average month in 1986.

- Hawaii ranked 15th among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wage an unemployed worker previously earned. In Hawaii:

- Average unemployment insurance benefits equaled 44.5 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Hawaii, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	31.4%
Corporation net income	2.9
General sales	50.1
Selective sales	13.3
License	1.7
Other taxes	0.5

As the table indicates, Hawaii collects just 34.3 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Hawaii:

- If a two-parent family of four earns $10,000 a year, it would owe state income taxes of $116. However, the burden of Hawaii's income tax on the poor is eliminated for most families by a refundable "food" tax credit that is administered through the income tax system. This credit, adopted in 1987, equals $45 per person. Households of all incomes are eligible.

For low-income households in most states, sales tax burdens heavy. Sales taxes are inherently regressive because they are taxes on consumption and unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Hawaii:

- The sales tax rate was 4.0 percent in 1987.
- 50.1 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Hawaii:

- Food and utilities were not exempt from taxation. (There is one notable exception. By federal law, purchases made with food stamps are exempt from the sales tax. In addition, the "food" tax credit mentioned above is designed to ameliorate the burden of the sales tax on food.)

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Hawaii also has a general sales tax credit for households earning $20,000 or less.

Local property taxes are generally the most burdensome tax for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Hawaii does not have a circuitbreaker program.[13]

However, Hawaii does have a renter credit, another mechanism to provide property tax relief. Hawaii is one of only two states with such a program, which targets assistance to renters with an income below an established limit. Hawaii has a $50 tax credit per income tax exemption, with an income limit of $20,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

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[13] Circuitbreaker information is from 1985.

- In 1985, some 16,175 renter households in Hawaii received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number of "very low-income" renter households residing in Hawaii totalled 53,160. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 30.4 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 30.4 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states. In Hawaii:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 51.1 percent.[14] This represented a shortage of 13,706 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

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[14] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households. Information on the proportion of such costs the program covers in Hawaii is unavailable.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Hawaii, only an estimated 26.6 percent of those who are eligible are served under the federally-funded WIC program.[15]

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[15] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S.

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Hawaii does not supplement the WIC program.

Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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IDAHO

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Idaho Highlights

Estimated poverty rate, 1985	16.0%
Estimated number of poor, 1985	161,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	40.2%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	68.9%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	40.2%
Percentage of unemployed receiving unemployment insurance, 1986	37.8%
Percentage of state tax revenue from individual and corporate income tax, 1986	40.1%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	no	25

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*Data are from 1987, except where otherwise noted.

IDAHO

An estimated 16.0 percent of the population of Idaho, or 161,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Idaho, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid that lifts them to the poverty line.

There are sizable gaps in the safety net for poor people in Idaho. The state's level of AFDC cash assistance to single-parent households ranks 34th among all states and the District of Columbia. Benefits for a mother with two children and no other income equalled only 40 percent of the poverty line in 1987. AFDC benefits in Idaho have fallen far behind inflation, having declined 51 percent since 1970, after adjusting for inflation. In addition, Idaho has elected not to provide AFDC benefits to poor families with children in which both parents are present.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

There are large gaps in Idaho's medical assistance coverage for poor households. Idaho is one of just seven states in the nation that does not currently offer any of four key Medicaid options that provide health coverage to members of poor families with children who do not receive AFDC benefits or to elderly and disabled people who do not receive SSI. Twenty-five states extend Medicaid coverage to pregnant women and infants who live in families with incomes up to the poverty line, including half of the Southern states, but Idaho does not. For a three-person family, Idaho's Medicaid income eligibility limit is set at just 40.2 percent of the poverty line, making many families with incomes that are well below the poverty line -- including those with pregnant women and infants -- ineligible for health care coverage. Moreover, unlike most other states, Idaho has chosen not to provide Medicaid to poor households whose high medical expenses reduce their incomes to levels that make them poorer than households receiving AFDC or SSI. Finally, the adults in two-parent families and many of their children are ineligible for Medicaid, no matter how poor they are.

Finally, Idaho does not participate in the AFDC Emergency Assistance program and 37.8 percent of the unemployed received unemployment insurance benefits in Idaho in 1986.

These and other aspects of the Idaho safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Idaho well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Idaho does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Idaho:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $304 per month, or $3,648 per year. This AFDC benefit equals 40.2 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).
- This AFDC benefit level for a family of three ranks 34th out of all states.[2]
- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $217 per month. At most, AFDC and food stamp benefits combined can equal 68.9 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)
- For a family of three without any income, AFDC benefit payments equal 54.9 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Idaho last raised its need standard in 1981, although the cost of living increased 25 percent from 1981 to 1987.
- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,128 per year, which equals 35.5 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

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[2] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[3] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 51.3 percent from 1970 to 1987, after adjusting for inflation. AFDC benefits in Idaho were last raised in 1984.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Idaho who incurs deductible child care costs of $106 a month,[4] earnings of $505 a month -- equal to 66.8 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Idaho:

- For a single mother with two children who does *not* get a child care deduction, earnings of only $399 a month -- equal to 52.8 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Idaho does not provide AFDC emergency assistance.

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[4] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Idaho does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Idaho, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed. (In some states, counties with a general assistance program do offer aid to two-parent families, but two-parent families are typically excluded from such aid.)

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

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[5] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

[6] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

In Idaho:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[7] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Idaho supplements the basic federal SSI grant by $73 a month for an individual and $44 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 90.9 percent of the poverty line for an individual and 96.6 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 41.3 percent for an individual and 36.3 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $20 per month for an individual and $50 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 95.3 percent of the poverty line for individuals and 105.3 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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[7] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Idaho:

- Under very broad state guidelines, counties can establish their own general assistance programs, but they are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to just 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Idaho does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Idaho does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since two-parent families in Idaho are not eligible for AFDC benefits.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Idaho extends Medicaid coverage only to some income-eligible children under 21 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those in foster care.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Idaho is one of 14 states that does *not* have a Medically Needy program. Consequently, in Idaho the Medicaid income eligibility limit is the same as the AFDC income eligibility limit, which is 40.2 percent of the three-person poverty level.

Another key option is the **SOBRA**[8] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[9]

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[8] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

[9] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, 1987 federal legislation allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Idaho does not have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

Idaho is one of seven states that has adopted *none* of the four key Medicaid options described above: coverage of two-parent families, coverage of Ribicoff children, a Medically Needy program, and SOBRA coverage of pregnant women and young children. In contrast, 41 states have adopted two or more of these options.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Idaho covered 14 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important items and services *not* covered by the Medicaid program in Idaho included dental services and eyeglasses.

Elderly and Disabled

In most states, including Idaho, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Idaho does not have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Idaho has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Idaho does not pay for services or items such as dentures and prosthetic devices.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Idaho.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Idaho:

- 37.8 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Idaho ranked 12th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 49.7 percent of the unemployed in Idaho received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Idaho:

- Average unemployment insurance benefits equaled 42.6 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Idaho, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	34.4%
Corporation net income	5.7
General sales	33.6
Selective sales	16.7
License	9.0
Other taxes	0.5

As the table indicates, Idaho collects 40.1 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Idaho, the income tax threshold for a two-parent family of four has been raised significantly from its level of $8,000 in 1986.

- A two-parent family of four will begin to owe income taxes when its income reaches $12,800 (which is above the estimated 1988 poverty threshold).

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Idaho:

- The sales tax rate was 5.0 percent in 1987.
- 33.6 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Idaho:

- Food was *not* exempt from taxation. (There is one notable exception. Federal law requires that purchases made with food stamps are exempt from the sales tax.) Utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Idaho has a refundable sales tax credit of $15 per personal exemption (for the elderly, the credit is $30 per exemption). Benefits are not phased out as income rises. Moreover, nonelderly people who have such low incomes that they do not file income tax returns may not receive the credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Idaho has a circuitbreaker program.[10]
- However, Idaho has one of the six most restrictive circuitbreakers in the country. Eligibility for the circuitbreaker is limited to elderly and disabled homeowners. All low income renter households and all low income homeowners who are not elderly or disabled are ineligible.
- By contrast, 25 of the other 30 states with circuitbreaker programs do cover renters, and 10 states also cover households which are neither elderly nor disabled.
- The average annual benefit from the circuitbreaker in Idaho was $181 in 1985, and benefits could be extended to elderly and disabled homeowners with incomes up to $13,120.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, 9,072 renter households in Idaho received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

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[10] Circuitbreaker information is from 1985.

- Yet in 1983, the number of "very low-income" renter households residing in Idaho totalled 40,630. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 22.3 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 22.3 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[11] In Idaho:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 58.3 percent. This represented a shortage of 9,524 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

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[11] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Idaho's share of the federal LIHEAP appropriation equaled 58.1 percent of the estimated total heating and cooling costs[12] of all low-income households in Idaho which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Idaho, only an estimated 31.3 percent of those who are eligible are served under the federally-funded WIC program.[13]

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[12] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

[13] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Idaho does not supplement the WIC program.

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nationwide increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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INDIANA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Indiana Highlights

Estimated poverty rate, 1985	12.0%
Estimated number of poor, 1985	660,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	38.1%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	67.4%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	38.1%
Percentage of unemployed receiving unemployment insurance, 1986	24.4%
Percentage of state tax revenue from individual and corporate income tax, 1986	33.9%

Optional programs*	State has program?	Number of states with program
AFDC-UP	**	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

**Indiana recently adopted a version of AFDC-UP, but with certain restrictive requirements.

INDIANA

An estimated 12.0 percent of the population in Indiana, or 660,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Indiana, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid that lifts them to the poverty line.

The safety net for poor people in Indiana is among the weakest in the nation. Although Indiana increased its maximum AFDC benefit level for a family of three by 8.5 percent from 1986 to 1987, after adjusting for inflation, the level was so low to begin with that its AFDC cash assistance to single-parent households still ranks only 36th among all states and the District of Columbia. A mother and two children with no other income received a maximum benefit of $288 a month in 1987, which equalled just 38.1 percent of the poverty line. In addition, while Indiana passed legislation in 1987 extending AFDC benefits to some poor two-parent families, the program is limited in scope and participation.

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[1] The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

Indiana also lacks an AFDC emergency assistance program and has no state general assistance program for single individuals and childless couples who are poor. General cash assistance may be provided at the discretion of local jurisdictions.

Poor elderly and disabled people may receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the federal SSI grant to bring the elderly and disabled poor closer to or above the poverty line. Indiana is not one of these states.

Indiana is one of just seven states in the nation that does not currently offer any of four key Medicaid options that provide health coverage to members of poor families with children who do not receive AFDC benefits or to elderly and disabled people who do not receive SSI. Twenty-five states extend Medicaid coverage to pregnant women and infants who live in families with incomes up to the poverty line, including half of the Southern states, but Indiana does not. Indiana's Medicaid income eligibility limit for a three-person family is set at just 38.1 percent of the poverty line, making many families with incomes that are well below the poverty line -- including those with pregnant women and infants -- ineligible for health care coverage. Moreover, unlike most other states, Indiana has chosen not to provide Medicaid to poor households whose high medical expenses reduce their incomes to levels that make them poorer than households receiving AFDC or SSI.

In addition, fewer than one of four of the unemployed in Indiana received unemployment insurance in 1986, the ninth lowest unemployment insurance coverage rate in the nation.

At the same time that Indiana provides limited assistance to its poor residents, it imposes substantial tax burdens on them. In Indiana, a family of four begins to owe state income tax when its income reaches $4,000 -- or less than one-third of the poverty line. This ties Indiana with two other states for the lowest income tax threshold in the nation. The income tax burden imposed on a family of four with $10,000 in income is the fourth highest in the nation. In addition, while 31 states have low-income property tax relief programs (known as "circuitbreaker" programs), Indiana is not one of them. By contrast, the neighboring states of Illinois, Michigan, and Ohio all have circuitbreaker programs.

These and other aspects of the Indiana safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Indiana well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Indiana does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Indiana:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $288 per month, or $3,456 per year. This AFDC benefit equals 38.1 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).
- This AFDC benefit level for a family of three ranks 36th out of all states.[2]
- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $221 per month. At most, AFDC and food stamp benefits combined can equal

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[2] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

67.4 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal 90.0 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,152 per year, which equals 35.7 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 21.0 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Indiana who incurs deductible child care costs of $106 a month,[4] earnings of $489 a month -- equal to 64.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Indiana:

- For a single mother with two children who does *not* get a child care deduction, earnings of $383 a month -- equal to 50.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

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[3] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

[4] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Indiana does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Indiana recently adopted a variation of an AFDC-UP program. The program will extend benefits under limitted conditions.[6]

AFDC-UP, in addition, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

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[5] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

[6] To be eligible for Indiana's version of AFDC-UP benefits, the primary earner in a two-parent family must participate in job training, community work, or adult education for 32 hours a week and in job search for eight hours a week. Benefits, moreover, are restricted to six months of any twelve-month period. This program currently awaits federal approval. Initially, it will be implemented in 10 counties in which about 37 percent of Indiana's AFDC and food stamp recipients live.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In Indiana:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.
- Indiana does *not* supplement the basic federal SSI grant.
- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

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[7] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as nursing homes).

[8] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Indiana:

- There are no state standards for the provision of general assistance. Townships can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid.

Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Indiana extends Medicaid coverage only to some income-eligible children under 18 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those in psychiatric care.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a Medically Needy program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Indiana is one of 14 states that does *not* have a Medically Needy program. Consequently, in Indiana the Medicaid income eligibility limit is the same as the AFDC income eligibility limit, which is only 38.1 percent of the three-person poverty level.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

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[9] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Indiana does not have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Indiana covered 28 out of 32 possible optional Medicaid services.

The restrictiveness of the Medicaid program in Indiana is especially noteworthy because in 1985 the state infant mortality rate was 10.9 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

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[10] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- Indiana is one of 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Indiana does *not* have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Indiana has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- Medicaid in Indiana does not pay for certain services for those aged 65 or older who live in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Indiana.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Indiana:

- 24.4 percent of the unemployed, or fewer than one of every four, received unemployment insurance benefits in an average month in 1986.
- Indiana ranked 43rd among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Indiana:

- Average unemployment insurance benefits equaled 27.6 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Indiana is of particular significance for poor individuals and families given the limits to its AFDC-UP program for two-parent families and the absence of a state general cash assistance program (there are locally-based general cash assistance programs). As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Indiana, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	29.8%
Corporation net income	4.1
General sales	48.5
Selective sales	12.7
License	3.2
Other taxes	1.7

As the table indicates, Indiana collects 33.9 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Indiana:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $204. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.
- The income tax burden for a family at this income level is the fourth highest in the nation.
- A two-parent family of four will begin to owe income taxes when its income reaches $4,000, which is 32.7 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Indiana:

- The sales tax rate was 5.0 percent in 1987.
- 48.5 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Indiana:

- Utilities were *not* exempt from taxation; food was exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Indiana does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Indiana does *not* have a circuitbreaker program.[11]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

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[11] Circuitbreaker information is from 1985.

- In 1985, 79,052 renter households in Indiana received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of "very low-income" renter households residing in Indiana totalled 214,860. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 36.8 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 36.8 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In Indiana:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 59.7 percent. This represented a shortage of 58,072 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

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[12] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Indiana's share of the federal LIHEAP appropriation equaled 20.2 percent of the estimated total heating and cooling costs[13] of all low-income households in Indiana which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

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[13] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In Indiana, an estimated 41.6 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Indiana supplements the WIC program. This supplement will total $400,000 over the next five years.

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[14] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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IOWA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Iowa Highlights

Estimated poverty rate, 1985	18.0%
Estimated number of poor, 1985	519,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	50.4%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	76.0%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	57.3%
Percentage of unemployed receiving unemployment insurance, 1986	29.5%
Percentage of state tax revenue from individual and corporate income tax, 1986	40.8%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

IOWA

An estimated 18.0 percent of the population in Iowa, or 519,000 people, lived in poverty in 1985,[1] making Iowa one of the poorest states in the nation. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Iowa, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid that lifts them to the poverty line.

The Iowa safety net contains some large holes. The maximum AFDC benefit for a family of three with no other income equals just half of the poverty line. AFDC benefits fell 37.6 percent from 1970 to 1987, after adjustment for inflation. A family of three must have income (after medical expenses and some limited deductions) of less than three-fifths of the poverty line to be eligible for Medicaid. Iowa has yet to adopt a key Medicaid option to extend coverage to all poor pregnant women and young children.

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[1] The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

Furthermore, there are no state standards for cash assistance to poor single individuals and childless couples who are neither elderly nor disabled, and these types of households are unlikely to receive health care assistance. The elderly and disabled receive only the basic federal SSI grant, which leaves them below the poverty line. Twenty-seven states supplement the federal SSI benefit to bring the elderly and disabled poor closer to or above the poverty line, but Iowa is not one of these states.

Iowa also imposes significant tax burdens on many of its low income households. While the state raised its income tax threshold in 1987, it still imposes income tax on a family of four with income above $7,500 -- which is more than $4,000 below the poverty line. The income tax burden imposed on a family of four with income of $10,000 is the seventh highest in the nation. In addition, while Iowa has a "circuitbreaker" program to provide property tax relief to low income households, the circuitbreaker is restricted to the elderly and disabled and does not cover low income families with children that have high property tax bills. Finally, only 29.5 percent of the unemployed received unemployment insurance in 1986.

These and other aspects of the Iowa safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Iowa well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Iowa does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Iowa:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $381 per month, or $4,572 per year. This AFDC benefit equals 50.4 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).
- This AFDC benefit level for a family of three ranks 19th out of all states.[2]
- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $194 per month. At most, AFDC and food stamp benefits combined can equal 76.0 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)
- For a family of three without any income, AFDC benefit payments equal only 76.7 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Iowa last raised its need standard in 1984.
- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,316 per year, which equals 45.7 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 37.6 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Iowa who incurs deductible child care costs of $106 a month,[4] earnings of $582 a month -- equal to 77.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Iowa:

- For a single mother with two children who does *not* get a child care deduction, earnings of $476 a month -- equal to 63.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Iowa does *not* provide AFDC emergency assistance.

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[4] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Iowa has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 12.1 percent of the AFDC caseload in Iowa consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

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[5] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

[6] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

In Iowa:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[7] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.
- Iowa does *not* supplement the basic federal SSI grant.
- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.
- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be

either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

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[7] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

In Iowa:

- There are no state standards for the provision of general assistance. Counties can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Iowa extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Iowa, a family of three with a monthly countable income of less than $433, after deducting medical expenses, is eligible for Medicaid. This income eligibility limit is equal to 57.3 percent of the poverty line for a family of three.[8]

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Iowa does *not* have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

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[8] The figures cited above are for 1987. As of January 1988, the Medically Needy income limit is $508 a month for a family of three, or 64.4 percent of the estimated 1988 poverty line.

[9] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

[10] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- In 1986, Iowa covered 22 out of 32 possible optional Medicaid services. (For households that are covered under the Medically Needy option, only 18 state service options are provided. Among the additional services not provided to such households include ICF services for the mentally retarded.)

Elderly and Disabled

In most states, including Iowa, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Iowa has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $433, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 95.3 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Iowa has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- Medicaid in Iowa does not pay for personal care services and for certain services to those aged 65 or older who are in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is women in these households who are pregnant; often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is women in these households who are pregnant; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Iowa.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, just 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Iowa:

- Only 29.5 percent of the unemployed received unemployment insurance benefits in an average month in 1986.

- Iowa ranked 32nd among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 37.7 percent of the unemployed in Iowa received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Iowa:

- Average unemployment insurance benefits equaled 44.7 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that is replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Iowa, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	35.2%
Corporation net income	5.6
General sales	31.3
Selective sales	15.9
License	9.6
Other taxes	2.5

As the table indicates, Iowa collects 40.8 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

Iowa recently raised its income tax threshold, but the income tax burden on many poor families is still heavy. In 1988:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $144. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.
- The income tax burden for a family at this income level is the seventh highest in the nation.
- A two-parent family of four will begin to owe income taxes when its income reaches $7,500, which is 61.3 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Iowa:

- The sales tax rate was 4.0 percent in 1987.
- 31.3 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Iowa:

- Utilities were *not* exempt from taxation; food was exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Iowa does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Iowa has a circuitbreaker program.[11]

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[11] Circuitbreaker information is from 1985.

- Eligibility for the circuitbreaker is limited to elderly or disabled homeowners and renters; thus it fails to assist the nonelderly and nondisabled.
- The average annual benefit from the circuitbreaker in Iowa was $201 in 1985, and benefits could be extended to eligible households with incomes up to $12,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 31,076 renter households in Iowa received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number just of "very low-income" renter households residing in Iowa totalled 115,350. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 26.9 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 26.9 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In Iowa:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 63.0 percent. This represented a shortage of 32,672 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

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[12] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Iowa's share of the federal LIHEAP appropriation equaled 24.1 percent of the estimated total heating and cooling costs[13] of all low-income households in Iowa which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Iowa, only an estimated 41.3 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program directly, which can increase the proportion of eligible women, infants, and children who are served.

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[13] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

[14] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

- Iowa does not supplement the WIC program.[15]

Iowa is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. The WIC participation rate mentioned above did account for these CSFP participants.[16] CSFP operates only in Des Moines and surrounding Polk County, where it serves 2,283 participants.

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[15] Iowa does have a WIC "contingency fund" of $200,000 which may be used to cover WIC costs if the state overspends its federal WIC grant for a fiscal year. To the best of our knowledge, Iowa has not had to dip into the contingency fund and spend state money for WIC.

[16] CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.

R3834-1.38

KANSAS

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Kansas Highlights

Estimated poverty rate, 1985	13.8%
Estimated number of poor, 1985	338,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	54.1%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	79.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	61.5%**
Percentage of unemployed receiving unemployment insurance, 1986	37.3%
Percentage of state tax revenue from individual and corporate income tax, 1986	38.7%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	no	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**For a family of four, the Medicaid income eligibility limit is only 48.5 percent of the poverty line.

KANSAS

An estimated 13.8 percent of the population of Kansas, or 338,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Kansas, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that does not lift them to the poverty line.

The safety net in Kansas contains some sizable gaps. AFDC benefits for a mother and two children with no other income equal just a bit more than half of the poverty line. AFDC benefit levels declined 34 percent from 1970 to 1987, after adjusting for inflation. In addition, a single-parent family with two children must have income (after medical expenses and some limited deductions) of less than 61.5 percent of the poverty line to be eligible for Medicaid. Kansas has failed to adopt a key Medicaid provision instituted by half of the states to extend coverage to all poor pregnant women and young children.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

The safety net is especially limited for poor single individuals and childless couples who are not elderly or disabled. They are ineligible for virtually all cash or medical assistance.

The elderly and disabled poor may receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the federal SSI benefit to bring the elderly and disabled poor closer to or above the poverty line. Kansas is not one of these states. In addition, in 1986, only 37.3 percent of unemployed workers in Kansas received unemployment benefits in an average month. Finally, Kansas begins imposing income tax on families of four with incomes of $6,000 a year, or only about half of the poverty line. This is the 10th lowest state income tax threshold in the country.

These and other aspects of the Kansas safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Kansas well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Kansas does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Kansas:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $409 per month, or $4,908 per year.[2] This AFDC benefit equals 54.1 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 16th out of all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $189 per month. At most, AFDC and food stamp benefits combined can equal 79.1 percent of the poverty line.[4]

  However, more than one of every five AFDC households in Kansas does not receive food stamps. The food stamp participation rate for AFDC households in Kansas is below the national average.[5]

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,640 per year, which equals 48.5 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

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[2] Data are based on the highest possible shelter deduction (which differs by area).

[3] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[4] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

[5] According to a recent report by the U.S. General Accounting Office, 78.8 percent of AFDC households in Kansas received food stamps in fiscal year 1986, while 21.2 percent -- or 4,940 households -- did not. Kansas' participation rate is low because only about half (51.6 percent) of households consisting of both AFDC family members and of other persons residing with them received food stamps. This is one of the lowest food stamp participation rates in the nation for these AFDC "mixed households," as they are known.

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 34.0 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Kansas who incurs deductible child care costs of $106 a month,[6] earnings of $610 a month -- equal to 80.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Kansas:

- For a single mother with two children who does *not* get a child care deduction, earnings of $504 a month -- equal to 66.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Kansas provides AFDC emergency assistance.

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[6] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[7] Some 28 states have such a program (known as "AFDC-UP").

- Kansas has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 8.6 percent of the AFDC caseload in Kansas consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[8]

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[7] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

[8] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those

In Kansas:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[9] in non-supplemented states which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Kansas does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be

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receiving in-home health care).

[9] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Kansas:

- There is a state general assistance program, but it serves only people who are disabled or aged 55 and above. Thus nondisabled singles and childless couples under age 55 who are poor are left without any cash assistance (unless they are receiving unemployment insurance).
- For a household without any income, the monthly benefits are $189 for one person or $254 for a two-person household, which are equal to 39.2 percent and 41.2 percent of the respective poverty lines for these households.[10]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

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[10] In some state programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Kansas extends Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Kansas, a family of three with a monthly countable income of less than $465, after deducting medical expenses, is eligible for Medicaid.[11] This income eligibility limit is equal to 61.5 percent of the poverty line for a family of three. For a family of four, the eligibility limit is even further below the poverty line -- only $470, or 48.5 percent of the poverty line.

Another key option is the **SOBRA**[12] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[13]

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[11] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

[12] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Kansas does *not* have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Kansas covered 22 out of 32 possible optional Medicaid services. Important services *not* covered by the Medicaid program in Kansas included diagnostic, screening, and preventive services other than those specifically provided for under the Medicaid plan.

Elderly and Disabled

In most states, including Kansas, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Kansas has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $341, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 75.0 percent of the poverty level for a single elderly individual.

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[13] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Kansas has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Kansas does not pay for services such as private duty nursing and transportation.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Kansas.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Kansas:

- Some 37.3 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Kansas ranked 14th among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Kansas:

- Average unemployment insurance benefits equaled 44.3 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that is replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of the income of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Kansas, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	30.5%
Corporation net income	8.2
General sales	29.3
Selective sales	17.0
License	6.5
Other taxes	8.5

As the table indicates, Kansas collects 38.7 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Kansas:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $115. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- A two-parent family of four will begin to owe income taxes when its income reaches $6,000, which is 49.0 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Kansas:

- The sales tax rate was 4.0 percent in 1987.
- 29.3 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Kansas:

- Food was *not* exempt from taxation. (There is one notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.) Utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Kansas has a sales tax credit for low-income households. It is extended to the disabled, those aged 55 or older, and families with children under age 18.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Kansas has a circuitbreaker program.[14]
- Low-income homeowners and renters of all ages are eligible for the circuitbreaker.
- The average annual benefit from the circuitbreaker in Kansas was $158 in 1985, and benefits could be extended to households with incomes up to $12,800.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 26,702 renter households in Kansas received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

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[14] Circuitbreaker information is from 1985.

- Yet in 1983, the number just of "very low-income" renter households residing in Kansas totalled 103,130. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 25.9 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 25.9 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of low-income renter households substantially exceeds the number of very low-rent units in most states.[15] In Kansas:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 47.5 percent. This represented a shortage of 23,837 very low-rent units.

Unfortunately, the already large gap between the number of low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which found that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

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[15] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Kansas' share of the federal LIHEAP appropriation equaled 18.3 percent of the estimated total heating and cooling costs[16] of all low-income households in Kansas which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Kansas, only an estimated 34.6 percent of those who are eligible are served under the federally-funded WIC program.[17]

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16. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

17. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S.

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Kansas does *not* supplement the WIC program.

Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

R3834-1.39

KENTUCKY

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Kentucky Highlights

Estimated poverty rate, 1985	19.4%
Estimated number of poor, 1985	723,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	26.1%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	56.2%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	35.3%
Percentage of unemployed receiving unemployment insurance, 1986	24.5%
Percentage of state tax revenue from individual and corporate income tax, 1986	32.8%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

KENTUCKY

An estimated 19.4 percent of the population of Kentucky, or 723,000 people, lived in poverty in 1985,[1] making it one of the poorest states in the nation. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Kentucky, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance generally receive a level of aid that leaves them well below the poverty line.

The safety net for poor people in Kentucky is among the weakest in the nation. Its level of AFDC cash assistance to single-parent households ranks 46th among all states and the District of Columbia. A mother and two children with no other income received a maximum AFDC benefit of $197 a month in 1987, which equalled only about one-fourth (26.1 percent) of the poverty line. From 1970 to 1987, AFDC benefits for families with no other income plunged 55 percent in Kentucky (after adjusting for inflation), the second steepest decline of any state.

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[1] The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

In addition, Kentucky has elected not to provide AFDC benefits to two-parent families with children who are poor. Twenty-eight states do provide this coverage. Kentucky also has elected not to provide an AFDC emergency assistance program, which is used in 26 other states, sometimes assisting groups such as homeless families.

Medicaid eligibility is also tightly constrained, with many poor families left outside the program. For all members of a single-parent family of three to receive Medicaid coverage, the family must have income (after medical expenses and some limited deductions) less than 35.3 percent of the poverty line. In a positive step, Kentucky has adopted the new option that extends Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line.

The safety net is weakest for poor single individuals and childless couples who are not elderly or disabled. Kentucky lacks a general cash assistance program for such households. They are generally ineligible for other cash assistance or health care coverage.

Elderly and disabled people who are poor fare better. They receive the basic federal SSI grant. However, this leaves them below the poverty line. Twenty-seven states supplement the basic SSI grant so that the elderly and disabled poor may be brought closer to or above the poverty line. Kentucky is not one of these states.

Kentucky also has a restrictive unemployment insurance program. In 1986, 24.5 percent of unemployed Kentucky workers -- fewer than one in four -- received unemployment insurance in an average month. This was the 10th lowest unemployment insurance coverage rate in the nation. In 1987, coverage fell to 20.1 percent. The combination of restrictive unemployment insurance coverage, the lack of AFDC-UP for two-parent families, and the absence of a general assistance program for single individuals and childless couples means that unemployed workers are unlikely to be eligible for any cash assistance, unless they are single parents (or elderly or disabled people).

While Kentucky provides limited aid to its poor citizens, it imposes some of the heaviest state tax burdens in the nation on them. In 1988, a family of four begins owing state income tax in Kentucky when its income reaches $4,300, which is nearly $8,000 below the poverty line. Kentucky ties with North Carolina for having the fourth lowest income tax threshold in the country. When the amount of state income taxes owed by a poor family are computed, Kentucky climbs to first in the nation. Kentucky requires a working poor family of four with $10,000 in income to pay $281 in state income taxes, the highest income tax burden for a family at this income level of any state in the nation. In addition, some local jurisdictions in Kentucky also levy local income taxes on working poor households.

These and other aspects of the Kentucky safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to singles and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Kentucky well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Kentucky does not index benefits to inflation, and the value of its AFDC benefits has declined sharply over time.

In Kentucky:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $197 per month, or $2,364 per year. This AFDC benefit equals 26.1 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 46th out of all states.[2]

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[2] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 56.2 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $2,952 per year, which equals 25.4 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 54.9 percent, by more than half, from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Kentucky who incurs deductible child care costs of $106 a month,[4] earnings of $398 a month -- equal to 52.6 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Kentucky:

- For a single mother with two children who does *not* get a child care deduction, earnings of only $292 a month -- equal to 38.6 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

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[3] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

[4] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Kentucky does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Kentucky does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Kentucky, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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[5] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

In Kentucky:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[7] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Kentucky does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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[6] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

[7] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Kentucky:

- There is no general assistance program, thus leaving nondisabled, nonelderly singles and childless couples who are poor without *any* cash assistance (unless they are receiving unemployment insurance).

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Kentucky does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Kentucky provides Medicaid coverage to two-parent families with an unemployed primary earner who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Kentucky extends Medicaid coverage only to some income-eligible children under 19 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those in foster care.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a Medically Needy program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Kentucky, a family of three with a monthly countable income of less than $267, after deducting medical expenses, is eligible for Medicaid.[8] This income eligibility limit is equal only to 35.3 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limit for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

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[8] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

[9] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Kentucky has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Kentucky covered 23 out of 32 possible optional Medicaid services. Services *not* covered by the Medicaid program in Kentucky included screening services other than those specifically covered under the Medicaid plan and chiropractic services.

The restrictiveness of the Medicaid program in Kentucky is especially noteworthy because in 1985 the state infant mortality rate was 11.2 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Kentucky, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

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[10] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- Kentucky has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $192, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 42.2 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Kentucky has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Kentucky does not pay for items such as dentures.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Kentucky.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Kentucky:

- Only 24.5 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Kentucky ranked 42nd among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 44.5 percent of the unemployed in Kentucky received unemployment insurance benefits in an average month.
- Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In Kentucky, the percentage of unemployed receiving unemployment insurance coverage fell to 20.1 percent in 1987.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Kentucky:

- Average unemployment insurance benefits equaled 32.8 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Kentucky is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of any general cash assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Kentucky, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	25.5%
Corporation net income	7.3
General sales	27.4
Selective sales	17.2
License	5.8
Other taxes	16.8

As the table indicates, Kentucky collects 32.8 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the

poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Kentucky:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $281. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.
- The income tax burden for a family at this income level is the *highest* in the nation.
- A two-parent family of four will begin to owe income taxes when its income reaches $4,300, which is 35.1 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.
- In addition to state income taxes, some local jurisdictions in Kentucky also levy local income taxes on working poor households.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Kentucky:

- The sales tax rate was 5.0 percent in 1987.
- 27.4 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Kentucky:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Kentucky does *not* have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Kentucky does *not* have a circuitbreaker program.[11]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

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[11] Circuitbreaker information is from 1985.

- In 1985, some 68,314 renter households in Kentucky received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number just of "very low-income" renter households residing in Kentucky totalled 192,420. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 35.5 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 35.5 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In Kentucky:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 32.7 percent. This represented a shortage of 26,600 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

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[12] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Kentucky's share of the federal LIHEAP appropriation equaled 15.7 percent of the estimated total heating and cooling costs[13] of all low-income households in Kentucky which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

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[13] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In Kentucky, an estimated 45.7 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Kentucky does not supplement the WIC program.

Kentucky is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. The WIC participation rate mentioned above did account for these CSFP participants.[15] CSFP operates only in Louisville, where it serves 5,049 participants.

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[14] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

[15] CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.

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OKLAHOMA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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Washington, D.C.

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Oklahoma Highlights

Estimated poverty rate, 1985	16.1%
Estimated number of poor, 1985	532,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	41.0%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	69.4%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	62.3%
Percentage of unemployed receiving unemployment insurance, 1986	27.6%
Percentage of state tax revenue from individual and corporate income tax, 1986	26.8%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	no	25

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*Data are from 1987, except where otherwise noted.

OKLAHOMA

An estimated 16.1 percent of the population of Oklahoma, or 532,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Oklahoma, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often do not receive a level of aid sufficient to lift them out of poverty.

The safety net for poor people in Oklahoma contains some large holes. A mother and two children with no other income received a maximum AFDC benefit of $310 a month in 1987, which equalled about two-fifths (41 percent) of the poverty line. If food stamps are counted as income and added in, the maximum combined AFDC and food stamp benefit totals about two-thirds (69.4 percent) of the poverty line. Oklahoma ranks 31st in the nation in AFDC benefit levels. From 1970 to 1987, AFDC benefits in Oklahoma declined 28.9 percent, after adjusting for inflation.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

In addition, Oklahoma has elected not to provide AFDC benefits to two-parent families with children who are poor, unlike 28 other states that provide this coverage. For all members of a three-person family with children to be eligible for Medicaid, the family must have income (after medical expenses and some limited deductions) of less than 62.3 percent of the poverty line. In a positive step, Oklahoma has adopted the new option that extends Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line.

There is no general cash assistance to low-income singles and childless couples who are neither elderly nor disabled. These types of households are also unlikely to receive health care coverage.

Just over one of five unemployed people in Oklahoma (21.4 percent) received unemployment insurance in 1987. For unemployed two-parent families with children who do not qualify for or have exhausted unemployment insurance benefits (as well as for single individuals and childless couples in this situation), the safety net in Oklahoma is weak. Such households generally cannot qualify for any form of cash assistance, regardless of how poor they may be.

While Oklahoma often provides little assistance to poor households, it imposes significant tax burdens on many of them. Although Oklahoma recently boosted its income tax threshold, a family of four still begins to owe state income tax when its income reaches $8,900, which is about $3,000 below the poverty line. The state does not exempt food (other than food purchased with food stamps) from the sales tax. And while the state has a "circuitbreaker" property tax relief program for low income households, the circuitbreaker is limited to low-income elderly and disabled homeowners. Families with children who face high property tax burdens do not qualify for it.

These and other aspects of the Oklahoma safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Oklahoma well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Oklahoma does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Oklahoma:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $310 per month, or $3,720 per year. This AFDC benefit equals 41.0 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).
- This AFDC benefit level for a family of three ranks 31st out of all states.[2]
- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $215 per month. At most, AFDC and food stamp benefits combined can equal 69.4 percent of the poverty line.[3]

However, more than one of every five AFDC households in Oklahoma does not receive food stamps. Oklahoma's food stamp participation rate for AFDC is below the national average.[4]

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[2] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[3] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

- For a family of three without any income, AFDC benefit payments equal only 65.8 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Oklahoma last raised its need standard in 1985.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,608 per year, which equals 39.6 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 28.9 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Oklahoma who incurs deductible child care costs of $106 a month,[5] earnings of $511 a month -- equal to 67.6 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs.

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[4] According to a recent report issued by the U.S. General Accounting Office, 78.9 percent of Oklahoma AFDC households received food stamps, while 21.1 percent did not. The national average participation rate for AFDC households is 83.4 percent.

Oklahoma has an especially low food stamp participation rate among households consisting both of AFDC family members and of other persons residing with them. Only 56.4 percent of such households receive food stamps in the state.

[5] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

In Oklahoma:

- For a single mother with two children who does *not* get a child care deduction, earnings of $405 a month -- equal to 53.6 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Oklahoma provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Oklahoma does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Oklahoma, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In Oklahoma:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]
- Oklahoma supplements the basic federal SSI grant by $64 a month for an individual and $128 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 88.9 percent of the poverty line for an individual and 111.2 percent for a couple.
- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $23 per month for an individual and $25 per month for a couple.
- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 94.0 percent of the poverty line for individuals and 115.6 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

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[7] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

[8] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Oklahoma:

- There is no general assistance program, thus leaving nondisabled, nonelderly singles and childless couples who are poor without *any* cash assistance (unless they are receiving unemployment insurance).

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Oklahoma does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Oklahoma provides Medicaid coverage to two-parent families with an unemployed primary worker which meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may also be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Oklahoma extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Oklahoma, a family of three with a monthly countable income of less than $417, after deducting medical expenses, is eligible for Medicaid.[9]
- However, Oklahoma is one of seven states where the Medically Needy threshold is *lower than* the AFDC income eligibility limit of $471 per month, or 62.3 percent of the poverty line. Therefore, the Medically Needy program extends coverage only to those families whose medical expenses drive their countable income somewhat below the state's AFDC income eligibility limit.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

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[9] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

[10] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Oklahoma has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Oklahoma covered 16 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Oklahoma included emergency hospital services.

The provisions of the Medicaid program in Oklahoma are especially noteworthy because in 1985 the state infant mortality rate was 10.9 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

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[11] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- Oklahoma is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Oklahoma has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $258, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 56.8 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Oklahoma has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Oklahoma does not pay for items and services such as dentures and private duty nursing.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Oklahoma.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Oklahoma:

- 27.6 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Oklahoma ranked 36th among all states by this measure.
- Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In Oklahoma, the percentage of the unemployed receiving unemployment insurance fell to 21.4 percent in 1987. Nationwide, coverage fell to 31.5 percent in 1987, another historic low.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned.

In Oklahoma:

- Average unemployment insurance benefits equaled 42.0 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Oklahoma is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of any general cash assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Oklahoma, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	23.2%
Corporation net income	3.6
General sales	22.2
Selective sales	18.9
License	11.0
Other taxes	21.0

As the table indicates, Oklahoma collects 26.8 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Oklahoma:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $33.
- A two-parent family of four will begin to owe income taxes when its income reaches $8,900, which is 72.7 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

For poor households in most states, sales tax burdens are much heavier than income tax burdens. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Oklahoma:

- The sales tax rate was 4.0 percent in 1987.[12]
- Some 22.2 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

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12. In addition to the state sales tax of 4.0 percent, some counties and cities also have sales taxes. For example, Oklahoma City has a city sales tax of 2.0 percent and Tulsa has a city sales tax of 3.0 percent, bringing the total state and local sales tax in these areas to 6.0 and 7.0 percent, respectively.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Oklahoma:

- Food was *not* exempt from taxation. (There is a notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.) Utilities were exempt from the sales tax.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Oklahoma does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Oklahoma has a circuitbreaker program.[13]

- However, Oklahoma has one of the six most restrictive circuitbreakers in the country. Eligibility for the Oklahoma circuitbreaker is limited to elderly and disabled homeowners. All low-income renter households and all low-income homeowners who are not elderly or disabled are ineligible.

- By contrast, 25 of the other 30 states with circuitbreaker programs do cover renters, and 10 states also cover households which are neither elderly nor disabled.

- The average annual benefit from the circuitbreaker in Oklahoma was $89 in 1985, and benefits could be extended to elderly and disabled homeowners with incomes up to $7,200.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 55,721 renter households in Oklahoma received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

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[13] Circuitbreaker information is from 1985.

- Yet in 1983, the number just of "very low-income" renter households residing in Oklahoma totalled 153,030. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 36.4 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 36.4 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14] In Oklahoma:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 51.5 percent. This represented a shortage of 31,785 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

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[14] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Oklahoma's share of the federal LIHEAP appropriation equaled 9.7 percent of the estimated total heating and cooling costs[15] of all low-income households in Oklahoma which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Oklahoma, an estimated 43.8 percent of those who are eligible are served under the federally-funded WIC program.[16]

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15. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

16. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Oklahoma does *not* supplement the WIC program.

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nationwide increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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OREGON

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Oregon Highlights

Estimated poverty rate, 1985	11.9%
Estimated number of poor, 1985	320,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	54.5%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	83.5%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	72.6%
Percentage of unemployed receiving unemployment insurance, 1986	37.8%
Percentage of state tax revenue from individual and corporate income tax, 1986	70.2%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes**	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**Oregon's SSI supplement is extremely meager.

OREGON

An estimated 11.9 percent of the population of Oregon, or 320,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Oregon receive government assistance. But their eligibility and the level of assistance they may receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that is not sufficient to lift them out of poverty.

Although Oregon has adopted many of the optional state aid programs for the poor that are allowed under federal law, sizable holes in its safety net remain. The maximum AFDC benefit for a mother and two children with no other income equals just over half (54.5 percent) of the poverty line. If food stamps are counted as income and added in, maximum combined AFDC and food stamp benefits are still well below the poverty line. From 1970 to 1987, maximum AFDC benefits for a family with no other income fell 23.7 percent, after adjusting for inflation. In addition, for all members of a three-person family with children to be eligible for Medicaid, the family must have income (after medical expenses and some limited deductions) of less than 72.6 percent of the poverty line.

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[1] The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

Elderly and disabled people essentially receive only the basic federal SSI grant, since the state supplement was only $2 a month for an elderly individual in 1987. All of the other 26 states that supplement the federal SSI benefit provide a larger supplement.

The safety net is weakest for poor single individuals and childless couples who are not elderly or disabled. Oregon has no general cash assistance for such people nor are they likely to receive health care coverage.

Of particular concern in Oregon is the serious shortage of low-rent housing that is available for poor households. In 1985, the number of very low-income renter households was nearly two and a half times greater than the number of available very low-rent units.

These and other aspects of the Oregon safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Oregon below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Oregon does not index benefits to inflation, and the value of its AFDC benefits has declined over time.

In Oregon:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $412 per month, or $4,944 per year. This AFDC benefit equals 54.5 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).
- This AFDC benefit level for a family of three ranks 15th out of all states.[2]
- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $220 per month. At most, AFDC and food stamp benefits combined can equal 83.5 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)
- For a single-parent family of *four* without any income, maximum AFDC benefits are $6,012 per year, which equals 51.7 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).
- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 23.7 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for

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[2] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[3] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

AFDC even though she has income well below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Oregon who incurs deductible child care costs of $106 a month,[4] earnings of $613 a month -- equal to 81.1 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Oregon:

- For a single mother with two children who does *not* get a child care deduction, earnings of $507 a month -- equal to 67.1 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Oregon provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Oregon has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

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[4] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

[5] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, 5.0 percent of the AFDC caseload in Oregon consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6] Moreover, even though Oregon supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

In Oregon:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

- Oregon supplements the basic federal SSI grant by $2 a month for an individual. There is no supplement for a couple. Together, the maximum federal and state supplemental SSI grants equal 75.2 percent of the poverty line for an individual and 88.9 percent for a couple.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.4 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be

either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

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[7] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

In Oregon:

- There is a state general assistance program, but it serves only disabled people. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).
- For a disabled household without any income, the monthly benefits are $239 for one person or $315 for a two-person household, which are equal to 49.6 percent and 51.1 percent of the respective poverty lines for these households.[8]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

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[8] In some state programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Oregon extends Medicaid coverage only to some income-eligible children under 21 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those who are adopted.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Oregon, a family of three with a monthly countable income of less than $549, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 72.6 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

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[9] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

[10] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

[11] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Oregon has a SOBRA program, with an income eligibility limit equal to 85 percent of the federal poverty level, but which in September 1988 will be increased to the poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Oregon covered 25 out of 32 possible optional Medicaid services.

Elderly and Disabled

In most states, including Oregon, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Oregon has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $367, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 80.7 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Oregon has *not* adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

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birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- For example, Medicaid in Oregon does not pay for certain services for the elderly in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Oregon.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Oregon:

- 37.8 percent of the unemployed received unemployment insurance benefits in an average month in 1986.[12]
- Oregon ranked 11th among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Oregon:

- Average unemployment insurance benefits equaled 40.2 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important.

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[12] Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In Oregon, the percentage of the unemployed receiving unemployment insurance rose to 42.5 percent in 1987.

State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Oregon, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	61.8%
Corporation net income	8.4
General sales	0
Selective sales	14.1
License	12.6
Other taxes	3.1

As the table indicates, Oregon collects 70.2 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

Oregon recently reformed its state income tax system in a manner that reduced its burden on some of the working poor. However, the burden of the Oregon state income tax on the poor still remains greater in many cases than in the rest of the nation.

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $50. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.
- A two-parent family of four will begin to owe income taxes when its income reaches $9,300, which is 76.0 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Oregon:

- There was no general sales tax in 1987.

Substantial as the burden of other taxes can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Oregon has a circuitbreaker program.[13]
- Eligibility for the circuitbreaker is extended to renters and homeowners of all ages.
- The average annual benefit from the circuitbreaker in Oregon was $232 in 1985, and benefits could be extended to households with incomes up to $17,500.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

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[13] Circuitbreaker information is from 1985.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 34,491 renter households in Oregon received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number just of "very low-income" renter households residing in Oregon totalled 154,350. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 22.3 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 22.3 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14] In Oregon:

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[14] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *141.1 percent*. This represented a shortage of 57,657 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low-rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Oregon's share of the federal LIHEAP appropriation equaled 29.1 percent of the estimated total heating

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renter household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

and cooling costs[15] of all low-income households in Oregon which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Oregon, only an estimated 42.0 percent of those who are eligible are served under the federally-funded WIC program.[16]

Some 11 states have chosen to provide funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Oregon does *not* supplement the WIC program.

WIC participation in Oregon is expected to increase in the coming year, due in substantial part to the state's new system for procuring the infant formula provided through its WIC program. The new system, which Oregon pioneered along with Tennessee, was instituted in late 1987 and is now producing savings that are being used to reach additional women, infants, and children.

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15. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

16. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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PENNSYLVANIA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Pennsylvania Highlights

Estimated poverty rate, 1985	10.5%
Estimated number of poor, 1985	1,246,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	50.5%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	76.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	56.2%
Percentage of unemployed receiving unemployment insurance, 1986	43.1%
Percentage of state tax revenue from individual and corporate income tax, 1986	33.9%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	yes**	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**Limited to three months a year for those 45 years old or younger.

PENNSYLVANIA

An estimated 10.5 percent of the population of Pennsylvania, or 1,246,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Pennsylvania receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that is not sufficient to lift them out of poverty.

Although Pennsylvania has adopted a number of the optional programs for the poor that are allowed under federal law, significant gaps in the safety net remain. The maximum AFDC benefit level for a family of three with no other income equals about half (50.5 percent) of the poverty line. From 1970 to 1987, AFDC benefits for families without other income have plunged 49 percent, after adjusting for inflation, the seventh steepest decline in any state. For all members of a three-person family with children to be eligible for Medicaid coverage, the family must have income (after medical expenses and some limited deductions) of less than 56.2 percent of the poverty line.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

Moreover, Pennsylvania has a restrictive general cash assistance program. This assistance for single people and childless couples who are neither elderly nor disabled is available only three months a year, unless recipients are more than 45 years old.

One of Pennsylvania's distinctions is that in some parts of the state it has the highest combined state and local income tax burden on poor households of any part of the United States. This burden reflects both the structure of the state income tax and the existence of local income taxes that take a high proportion of the income of the poor. A family of four in Philadelphia that earns $10,000 a year (and thus falls $2,000 below the poverty line) must pay $707 a year in state and local income tax. Many other states (including New York and Maryland) completely exempt families with income below $10,000 from paying income tax. On top of these heavy income tax burdens, Pennsylvania imposes a regressive six percent sales tax without providing a sales tax rebate for low-income households. Furthermore, while Pennsylvania has a "circuitbreaker" program to provide property tax relief for low-income households, it is limited to the elderly, thus excluding all other households, including poor families with children.

Pennsylvania's low-rent housing shortage also constitutes a serious problem. In 1985, the number of very low-income households in Pennsylvania exceeded the number of very low-rent units by nearly 75 percent.

These and other aspects of the Pennsylvania safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for some two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households may be eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Pennsylvania well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Pennsylvania does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Pennsylvania:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $382 per month, or $4,584 per year. This AFDC benefit equals 50.5 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is [illegible] in 1987).

- This AFDC benefit level for a family of three ranks [illegible] among all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $193 per month. At most, AFDC and food stamp benefits combined can equal 76.1 percent of the poverty line.[4] (Most, but not all AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 62.2 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money a

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[2] Pennsylvania has different benefit levels for four different regions. These figures are for the region with the highest benefit levels.

[3] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[4] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the levels reflected here.

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necessary to meet a minimal standard of living in that state.) Pennsylvania last raised its need standard in 1985.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,592 per year, which equals 48.1 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).
- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 49.0 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Pennsylvania who incurs deductible child care costs of $106 a month,[5] earnings of $583 a month -- equal to 77.1 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Pennsylvania:

- For a single mother with two children who does *not* get a child care deduction, earnings of $477 a month -- equal to 63.1 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

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5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

- Pennsylvania provides AFDC emergency assistance, but on a very limited basis The average monthly caseload in 1987 was only 59.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Pennsylvania has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage. (Two-parent families in which neither parent was recently employed are also excluded.)

- In 1986, only 6.1 percent of the AFDC caseload in Pennsylvania consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7] Moreover, even though Pennsylvania supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

In Pennsylvania:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]
- Pennsylvania supplements the basic federal SSI grant by $32 a month for an individual and $49 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 81.8 percent of the poverty line for an individual and 97.5 percent for a couple.
- The value of the state supplement, after adjustment for inflation, declined by 30.5 percent for an individual and 29.1 percent for a couple from 1974 (the year SSI started) to 1987.
- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $33 per month for an individual and $49 per month for a couple.
- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 89.0 percent of the poverty line for individuals and 105.9 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social

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[7] This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

[8] The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Pennsylvania:

- There is a state general assistance program serving needy people.
- Benefit levels vary depending upon a county's cost-of-living. In most counties, for a household without any income, the monthly benefits are $186 for one person or $287 for a two-person household, which are equal to 38.6 percent and 46.5 percent of the respective poverty lines for these households.
- Benefits can be provided for a maximum of three months in a year, unless the recipients are over 45 years old.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage, but those who receive assistance can receive aid through Pennsylvania's medical assistance program.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and for children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Pennsylvania extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a Medically Needy program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Pennsylvania, a family of three with a monthly countable income of less than $425, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 56.2 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

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[9] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

[10] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Pennsylvania has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Pennsylvania covered 16 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important items and services *not* covered by the Medicaid program in Pennsylvania included eyeglasses. (Coverage in Pennsylvania is more limited for those who qualify for Medicaid under the Medically Needy option. Only 12 of 32 state options are provided; additional options not covered include prescribed drugs.)

The provisions of the Medicaid program in Pennsylvania are especially noteworthy because in 1985 the state infant mortality rate was 11.0 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Pennsylvania, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a Medically Needy program for the elderly and disabled. Some 34 states have done so.

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[11] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- Pennsylvania has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $375, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 82.5 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Pennsylvania has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Pennsylvania does not pay for services such as private duty nursing and physical therapy.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Pennsylvania.

Recipients of state general assistance, however, may receive health care coverage under Pennsylvania's state-funded medical assistance ("MA") program. The MA program provides coverage comparable to Medicaid. Poor singles and childless couples who do not receive general assistance often do have health care coverage.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Pennsylvania:

- 43.1 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Pennsylvania ranked sixth among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 52.3 percent of the unemployed in Pennsylvania received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Pennsylvania:

- Average unemployment insurance benefits equaled 42.4 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Pennsylvania, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	24.9%
Corporation net income	9.0
General sales	30.3
Selective sales	19.4
License	10.6
Other taxes	5.7

As the table indicates, Pennsylvania collects 33.9 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Pennsylvania:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $216. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- The income tax burden for a family at this income level is the third highest in the nation.

- A two-parent family of four will begin to owe income taxes when its income reaches $8,000, which is 65.4 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

- In Pennsylvania, the poor with earnings may also be subject to substantial *local* income taxes. For example, Philadelphia has an especially high local wage tax, equal to 4.96 percent of wages without any deductions or exemptions; thus, a four-person family with earnings equal to $10,000 would pay $496 in local wage taxes in addition to $211 in state income taxes. The total state and local income tax for such a family would equal $707. In Pittsburgh, the local income tax is 2.125 percent, resulting in a total state and local income tax burden of $424 for a family of four with income of $10,000.

For poor households in Pennsylvania, the sales tax burden is also heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Pennsylvania:

- The sales tax rate was 6.0 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- Some 30.3 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Pennsylvania:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Pennsylvania does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Pennsylvania has a circuitbreaker program.[12]
- Eligibility for the circuitbreaker is limited to elderly or disabled homeowners and renters; thus it fails to assist the nonelderly and nondisabled.
- The average annual benefit from the circuitbreaker in Pennsylvania was $223 in 1985, and benefits could be extended to elderly and disabled households with incomes up to $15,000.

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[12] Circuitbreaker information is from 1985.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 189,449 renter households in Pennsylvania received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number just of "very low-income" renter households residing in Pennsylvania totalled 564,120. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 33.6 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 33.6 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the

number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In Pennsylvania:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *73.6 percent*. This represented a shortage of 153,305 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Pennsylvania does have a $20 million state housing and development assistance program, but the size of this program pales in comparison to the size of the low-income housing shortage.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

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[13] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Pennsylvania's share of the federal LIHEAP appropriation equaled 24.2 percent of the estimated total heating and cooling costs[14] of all low-income households in Pennsylvania which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Pennsylvania, an estimated 49.6 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Pennsylvania supplements the WIC program, bringing the overall percentage of WIC eligibles who are served to 56.6 percent.

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[14] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

[15] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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RHODE ISLAND

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Rhode Island Highlights

Estimated poverty rate, 1985	9.0%
Estimated number of poor, 1985	87,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	63.4%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	85.7%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	83.8%
Percentage of unemployed receiving unemployment insurance, 1986	62.4%
Percentage of state tax revenue from individual and corporate income tax, 1986	40.0%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	yes	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

RHODE ISLAND

An estimated 9.0 percent of the population of Rhode Island, or 87,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Rhode Island receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that is not sufficient to lift them out of poverty.

Although Rhode Island has a stronger system of government assistance to the poor than most other states, its safety net still has sizable holes. The combined value of maximum AFDC and food stamp benefits leaves a recipient family without other income well below the poverty line, in part because AFDC benefits for families without other income have declined 28.9 percent since 1970, after adjusting for inflation. For all members of a three-person family with children to be eligible for Medicaid, the family must have income (after medical expenses and some limited deductions) of less than 83.8 percent of the poverty line. Rhode Island, moreover, only provides 12 of 32 Medicaid services that are state options.

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[1] The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

In addition, state general cash assistance goes only to the disabled, leaving low-income single individuals and childless couples who are neither elderly nor disabled without this aid. These types of households are also unlikely to receive health care coverage.

Rhode Island has a circuitbreaker program to provide property tax relief to low income households, but its program is one of twelve in the country that is limited to the elderly, thus failing to ease the property tax burdens of poor nonelderly households. Of particular concern is that low-income households are confronted with a serious shortage of low-rent housing. In 1985, the number of very low-income renter households was more than double the number of very low-rent units.

These and other aspects of the Rhode Island safety net will be discussed in this analysis.

For an overview of the situation in Rhode Island, see the "Highlights."

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Rhode Island below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Rhode Island does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Rhode Island:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $479 per month, or $5,748 per year. This AFDC benefit equals 63.4 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).
- This AFDC benefit level for a family of three ranks 12th out of all states.[2]
- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $169 per month. At most, AFDC and food stamp benefits combined can equal 85.7 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)
- For a single-parent family of *four* without any income, maximum AFDC benefits are $6,552 per year, which equals 56.3 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).
- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 28.9 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Rhode Island who incurs deductible child care costs of $106 a month,[4] earnings of $680 a month -- equal to 89.9 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

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[2] State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

[3] Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

[4] $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Rhode Island:

- For a single mother with two children who does *not* get a child care deduction, earnings of $574 a month -- equal to 76.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Rhode Island does *not* provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Rhode Island has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 0.6 percent of the AFDC caseload in Rhode Island consisted of two-parent families.

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disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

[5] Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

In Rhode Island:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]
- Rhode Island supplements the basic federal SSI grant by $56 a month for an individual and $106 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 87.1

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

percent of the poverty line for an individual and 107.4 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 34.3 percent for an individual and 32.3 percent for a couple from 1974 (the year SSI started) to 1987.
- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $26 per month for an individual and $32 per month for a couple.
- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 92.7 percent of the poverty line for individuals and 112.9 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Rhode Island:

- There is a state general assistance program, but it serves only disabled people. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).
- For a household without any income, the monthly benefits are $65 for one person or $89 for a two-person household, which are equal to

13.5 percent and 14.4 percent of the respective poverty lines for these households.[8]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

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[8] Rhode Island has one benefit schedule for winter and one for summer. The figures cited are for the summer schedule for those who are homeowners or rent their own homes. Winter benefits are about $4 per month higher.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Rhode Island extends Medicaid coverage to all income-eligible children.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses

($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Rhode Island, a family of three with a monthly countable income of less than $633, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 83.8 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Rhode Island has a SOBRA program, with an income eligibility limit equal to the federal poverty level.[12]

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[9] In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

[10] The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

[11] Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

[12] In addition, under Rhode Island's new RIte Start program, the state provides prenatal care, delivery, and post-partum services to pregnant women without health insurance and with family income below 185 percent of the poverty line.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Rhode Island covered 12 out of 32 possible optional Medicaid items and services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Rhode Island included emergency hospital services and occupational therapy. (Only 10 options were covered for households eligible for Medicaid under the Medically Needy program. One additional item not covered for these households was provision of eyeglasses.)

Elderly and Disabled

In most states, including Rhode Island, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Rhode Island has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $492, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 108.2 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Rhode Island has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option, although the high coverage level of the Medically Needy program may make this provision irrelevant.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Rhode Island does not pay for services such as diagnostic, screening, and preventive services other than those specifically provided for under the Medicaid plan.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Rhode Island.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Rhode Island:

- Some 62.4 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Rhode Island ranked second among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 71.1 percent of the unemployed in Rhode Island received unemployment insurance benefits in an average month.

Unemployment insurance benefits generally replace half or less of the wages an unemployed worker previously earned. In Rhode Island:

- Average unemployment insurance benefits equaled 39.4 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Rhode Island, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	32.4%
Corporation net income	7.6
General sales	32.9
Selective sales	20.1
License	3.9
Other taxes	3.1

As the table indicates, Rhode Island collects 40.0 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Rhode Island:

- A two-parent family of four will begin to owe income taxes when its income reaches $15,100 (which is well above the estimated 1988 poverty line).

For poor households in most states, sales tax burdens can be heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Rhode Island:

- The sales tax rate was 6.0 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- Some 32.9 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Rhode Island:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Rhode Island does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Rhode Island has a circuitbreaker program.[13]
- Eligibility for the circuitbreaker is limited to elderly homeowners and renters; thus it fails to assist the nonelderly.
- The average annual benefit from the circuitbreaker in Rhode Island was $177 in 1985, and benefits could be extended to elderly households with incomes up to $12,500.

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[13] Circuitbreaker information is from 1985.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 32,398 renter households in Rhode Island received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number just of "very low-income" renter households residing in Rhode Island totalled 63,370. (1983 is the latest year for which these data are now available.)
- If all those who received rental assistance were "very low-income" renters, then no more than 51.1 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 51.1 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the

number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14]

In Rhode Island:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *106.4 percent*. This represented a shortage of 20,500 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low-rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

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[14] The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers households with incomes at or below 50 percent of the median income of *all* renter households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

- In fiscal year 1987, Rhode Island's share of the federal LIHEAP appropriation equaled 23.4 percent of the estimated total heating and cooling costs[15] of all low-income households in Rhode Island which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

Rhode Island does have a pilot program in one part of the state that helps fill the energy assistance gap and helps prevent utility shutoffs. The program is integrated with the federal low-income energy assistance program and uses the same income eligibility criteria. On a monthly basis, households pay a fixed percentage of their income -- ranging from four percent to eight percent depending on household size -- towards their primary heat source and for non-heat energy usage. In turn, as long as these payments are made, their utility service is assured. The program currently operates only in Warwick.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Rhode Island, an estimated 56.5 percent of those who are eligible are served under the federally-funded WIC program.[16]

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[15] Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

[16] These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Rhode Island does *not* supplement the WIC program.[17]

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[17] Rhode Island does have a WIC "contingency fund" of $200,000 which may be used to cover WIC costs if the state overspends its federal WIC grant for a fiscal year. To the best of our knowledge, Rhode Island has not had to dip into the contingency fund and spend state money for WIC.